

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lapeer County	County Lapeer
Audit Date 12/31/05	Opinion Date 04/21/06	Date Accountant Report Submitted to State: 06/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

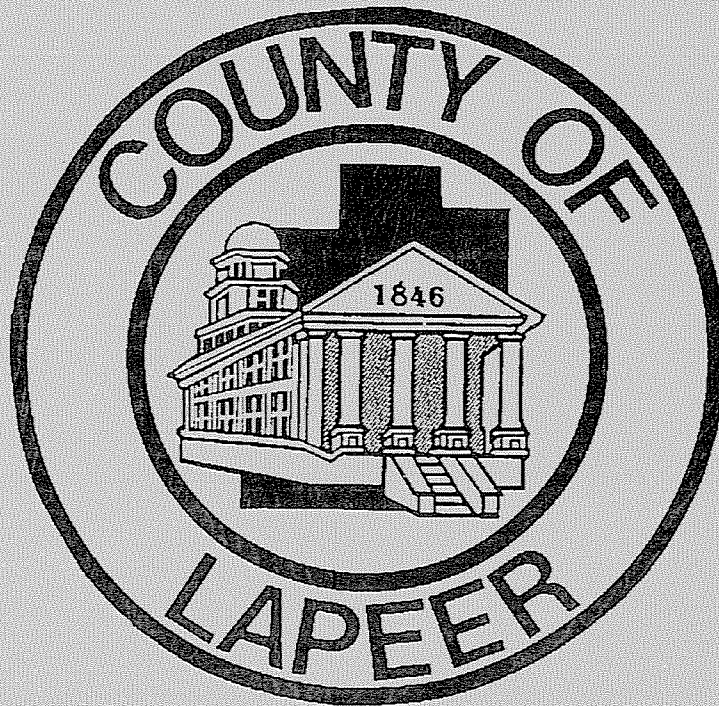
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			
Street Address 1979 Holland Avenue	City Port Huron	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>		Date 06/28/06	

Lapeer County

Michigan



Comprehensive Annual Financial Report

Year Ended December 31, 2005

John Biscoe
Controller/Administrator
Craig D. Horton
Chief Financial Officer

LAPEER COUNTY, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2005

Page Number

SECTION ONE: INTRODUCTORY SECTION

Letter of Transmittal	i
Certificate of Achievement	ix
Organizational Chart	x
List of Elected and Appointed Officials	xii

SECTION TWO: FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets - Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds	28
Combining Statement of Net Assets - Component Units	29
Combining Statement of Activities - Component Units	30
Notes to the Financial Statements	31

TABLE OF CONTENTS

DECEMBER 31, 2005

	<u>Page Number</u>
Required Supplementary Information:	
General Fund -	
Budgetary Comparison Schedule	68
Health Department Fund -	
Budgetary Comparison Schedule	70
Mental Health Fund -	
Budgetary Comparison Schedule	71
E-911 Fund -	
Budgetary Comparison Schedule	72
Revenue Sharing Reserve Fund -	
Budgetary Comparison Schedule	73
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds -	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Funds	86
Internal Service Funds -	
Combining Statement of Net Assets - Internal Service Funds	100
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds	102
Combining Statement of Cash Flows - Internal Service Funds	104
Fiduciary Funds -	
Pension and Other Employee Benefit Trust Fund	
Combining Statement of Fiduciary Net Assets	106
Combining Statement of Changes in Pension and Other Employee Benefit Trust Funds Fiduciary Net Assets	107
Agency Funds -	
Combining Statement of Fiduciary Net Assets	108
Combining Statement of Changes in Assets and Liabilities	109
Capital Assets Used in the Operation of Governmental Funds -	
Schedule of Changes in Capital Assets	111
Schedule of Capital Assets by Function and Activity	112
Schedule of Changes in Capital Assets by Function and Activity	113
Discretely Presented Component Units -	
Board of Public Works Funds -	
Combining Balance Sheet	114
Reconciliation of Fund Balance on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	116

LAPEER COUNTY, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2005

	<u>Page Number</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	117
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	119
Drainage District Funds -	
Combining Balance Sheet	120
Reconciliation of Fund Balance on the Balance Sheet to Net Assets of Governmental Activities on the Statement of Net Assets	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	123
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	125
Statement of Net Assets - Proprietary Fund	126
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	126
Statement of Cash Flows – Proprietary Fund	127

SECTION THREE: STATISTICAL SECTION

Government-Wide Information

Government-Wide Net Assets by Component - Last Three Years	128
Government-Wide Changes in Net Assets - Last Three Years	129

Fund Information

General Governmental Fund Balance - Last Three Years	131
General Governmental Changes in Fund Balances - Last Ten Years	132
General Fund Changes in Fund Balances - Last Ten Years	134

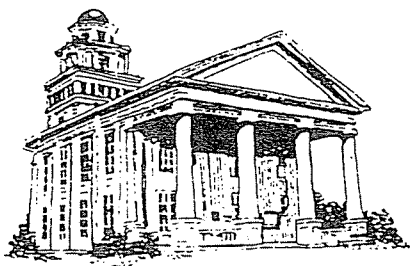
Assessments and Taxes

Assessed and Estimated State Value of Taxable Property - Last Ten Years	136
Property Taxes Rates - All Direct and Overlapping Governments - Last Ten Years	137
Property Tax Levies and Collections - All Taxing Units Within the County - Last Ten Years	139
Property Tax Levies and Collections - County Operating Levy Only - Last Ten Years	140
Principal Taxpayers - Taxable Valuation	141
Special Assessment Collections - Last Ten Years	142

LAPEER COUNTY, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2005

	<u>Page Number</u>
SECTION THREE: STATISTICAL SECTION - (cont'd)	
Long-Term Debt	
Computation of Direct Long-Term Bonded Debt	143
Computations of Legal Debt Margin	144
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Years	145
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Years	146
Miscellaneous Statistics	
Demographic Statistics - Property Values and Bank Deposits - Last Ten Years	147
Employment by Industry	148
Description of Insurance Coverage in Force	149
Other Statistics	150



MICHIGAN'S OLDEST COURTHOUSE

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May 31, 2006

To the Board of Commissioners and Citizens of Lapeer County:

The Comprehensive Annual Financial Report (CAFR) of the County of Lapeer, Lapeer, Michigan, for the year ended December 31, 2005, is submitted herewith. The administration of Lapeer County is responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and the County as a whole. The report is prepared for the purpose of disclosing the County's financial condition to our community, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles (GAAP) as stated in the Government Accounting Standards Board's (GASB) Statements and Interpretations. This CAFR is issued for the first time pursuant to the new requirements of the GASB. Readers of this report will notice two significant new statements, Statement of Net Assets and Statement of Activities. These statements will provide the financial position of Lapeer County viewed as a whole. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to augment the MD&A and should be read in conjunction with it. The MD&A can be found following the report of the independent auditors.

This report (CAFR) is divided into three main sections. The first is the introductory section, which provides the reader with information regarding the basic composition and other pertinent information about our County. The financial section presents financial data which includes the MD&A, basic financial statements, notes to the financial statements, required and other supplementary information. The statistical section includes statistical data relating to select demographic and financial information presented on a multi-year basis.

Lapeer County's financial statements have been audited by Stewart, Beauvais & Whipple PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lapeer County, for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that Lapeer County's financial statements for the year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Lapeer County was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and legal requirements involving the administration of federal awards. These reports are available in Lapeer County’s separately issued Single Audit Report.

PROFILE OF LAPEER COUNTY

Incorporated in 1835, Lapeer County covers an area of approximately 666 square miles. Located 56 miles north of the City of Detroit and within 48 miles of the Canadian border on Interstate 69, the County has exceptional access to transportation systems. Four major state highways, M-21, M-24, M-90, and M-53, cross the County. I-69 which runs east-west through the County links to I-75, 20 miles to the west. Bishop International Airport located adjacent to I-75 in Flint, offers a hub to major commercial and passenger air carriers. The local DuPont Airport serves a growing private aviation community. Rail passenger service is provided by AMTRAK and freight service by CNX via a major east-west rail line that links Canada and Chicago. The Greater Lapeer Transportation Authority provides bus transportation intra-county. There are eighteen townships, two cities, and six villages within the boundaries of the County.

With over 250 lakes, two County, two State, and a number of local parks, abundant fishing, camping, and water sports opportunities are available for the enthusiast. Lake Huron, within an hour drive, provides additional fishing and boating as well as access to the other Great Lakes. Numerous golf courses add to the extensive recreation opportunities. The County is also home to three sites on the national historical register, including one of the oldest Courthouses in the nation. Built in 1846, this significant historical site is an outstanding example of Greek revival architecture and is a community focal point.

Major professional sports teams, the Detroit Lions, the Detroit Red Wings, Detroit Tigers, and the Detroit Pistons, play their home games within a 60-minute drive. Michigan State University in East Lansing and the University of Michigan in Ann Arbor are less than 75 miles from Lapeer. These Big Ten institutions provide ready access to excellent educational and research facilities, and NCAA Division One college athletic events.

Creating a link between government and businesses interested in locating or expanding in the County, the Lapeer Development Corporation continues to lead and coordinate economic development. During 2005, 176 new jobs were created and \$16.4 million of new investment value occurred as a result of the efforts of the Corporation. Since its inception in 1981, the LDC has brought a private sector investment of \$453,705,612 into the County. An expanded partnership evolved in 2003 with the LDC established as the County Brownfield Authority by the Board of Commissioners. With the Brownfield designation another tool was added to the local economic development process.

Lapeer Regional Hospital, an acute care facility serves the County and is affiliated with McLaren Health Care Corporation. The Hospital, located in the City of Lapeer, has undergone major renovations and now has 203 beds with a staff of 106 doctors and 267 nurses and is only one of three in the state that have a DC/40 Scanner on site. McLaren has developed a network of care sites throughout the County that provide a range of outpatient services. Nine nursing facilities with 969 beds serve the County and the Medical Care Facility provides another 162 beds with a staff of 3 doctors and 140 nurses.

Higher education opportunities are available through Mott Community College, the University of Michigan-Flint, and Davenport University. Each of these institutions maintains a campus located in the City of Lapeer. On the east side of the County, St. Clair Community College operates a satellite campus in Imlay City. The Intermediate School District serves five school systems and a number of private schools provide diverse educational experiences within the County. The Lapeer District Library with eight branches, an automated circulation system and an on line catalog offers ready access to residents within the District.

The Library also operates the Lapeer Information Depot, a web site that offers links to many sites in the County and a community calendar that notes a wide range of local activities and events. The Almont area is served by a District Library as is the Imlay City area. Both Dryden and North Branch Townships maintain a local library.

Public Safety dispatching is coordinated through one Public Safety Answering Point. The Lapeer County 911 Central Dispatch Center is responsible for dispatching 15 local fire departments, the County Sheriff Department, the Michigan State Police, 7 local police departments and 4 EMS organizations. The Center is also the hub for emergency management communication in the event of a natural or man made disaster.

Lapeer County, considered by the U.S. Census Bureau part of the Detroit Metropolitan Statistical Area, continues to experience significant population growth. The U.S. Census Bureau estimated the County population at 93,361 in 2005, a 6.2 % increase from the 2000 census of 87,904. The total number of households in the County reached 32,732 in 2000, a 32.7% increase from 24,659 in 1990. The expansion of banking services throughout the county is reflective of this growth... The Lapeer County Bank and Trust Co. remains locally owned and managed, and with branches of Bank One, Citizens First Savings, Comerica, CSB, National City, Tri-County Bank, Independent Bank, Oxford Bank, and two credit unions, county residents banking needs are adequately served.

The proximity of Lapeer County to the Detroit Metropolitan Area and substantial job markets in Oakland, Macomb, and Genesee County, remains a principle factor in the local population expansion. Additional job opportunities in the County have also contributed to the population increase. A pastoral landscape and planning efforts to regulate growth and preserve green space are also attractive attributes to those considering relocating to the area.

In this growth environment the tax base has expanded, with the taxable value of property reaching \$2,805,165,220 as compared to \$2,632,809,751 in 2004, an increase of 6.55 %. During the same period, S.E.V. increased from \$3,701,389,668 to \$4,004,172,237 up 8.18 %. These increases result primarily from new residential construction throughout the County. A factor in the growth is a low tax levy of 3.8165 reduced from 3.8539 in 2004 for general County operations. In this context, only five Michigan Counties have a lower operational tax rate than Lapeer County. The average residential selling price in 2005 was \$155,895 up from \$151,777 in 2004 based on data from the Association of Realtors.

ORGANIZATION STRUCTURE

The County is organized under various public acts of the State of Michigan and is governed by a seven member Board of Commissioners. The County operates under the Controller/Administrator form of government. In 2002, the Board was increased from five to seven members as a result of the re-apportionment process, which is required every ten years. Each Commissioner is elected on a partisan basis for a term of two years from districts that are approximately equal in population. The Board annually elects a member to serve as Chairperson, and a member to serve as Vice Chairperson. Primary functions of the Board include determination of the type and level of County service, adoption of the County Budget, equalization of County property values, legislative oversight of County services and the appointment of various boards, commissions, and certain County officials.

The Judicial System within the County operates under the direction of the State Supreme Court. Two Judges are elected at large in the 71-A District Court for six-year terms, one Judge is elected at large for a six-year term in the Probate Court, and two Judges are elected at large for six-year terms in the 40th Judicial Circuit Court. One Judge is selected by the Supreme Court to serve as the Chief Judge of the Court. In 1998 Court reorganization in Michigan created the Family Court which combined certain duties of the Probate and Circuit Court. Consequently, the Probate Judge and the Circuit Court Judges under the reorganization plan have specific assignments relating to the cases under the jurisdiction of the Family Court. The office of the Friend of the Court is a statutorily created agency of the circuit court. The office is headed by a Friend of the Court appointed by the chief judge.

Administration of the County is divided by the Michigan Constitution among various statutory County officials including the County Treasurer, County Clerk, Register of Deeds, Prosecuting Attorney, Drain Commissioner, Sheriff, and Surveyor, who are elected at large for four-year terms. The County Treasurer is the custodian of funds for the County, as well as local communities and school districts, and performs other duties concerned with the fiscal affairs of County departments and agencies. The duties of County Clerk include keeping and maintaining records of births, deaths, marriages and discharges of military personnel and serving as Clerk to the Board of Commissioners and the Circuit Court. The duties of the Register of Deeds include the recording of deeds, mortgages, surveys, recording of plats, notices of liens and bills of sales.

The Prosecuting Attorney prosecutes violations of state criminal law within the County and represents the County as Corporate Counsel. The County Drain Commissioner administers the location, construction, and the maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of process, and law enforcement in unincorporated areas. The County Surveyor is responsible for a multi-year County remonumentation Project and is responsible for the Public Land Survey Records in the County.

In addition, the Board of Commissioners appoints several County Officers including the County Administrator/Controller, the Chief Financial Officer, the Health Officer, the Medical Examiner, the E-911 Director, the Equalization Director, the Veterans Affairs Director, the Animal Control Director, the Director of the Department of Senior Activities, and the Emergency Management Coordinator. The responsibility of these Officials is defined by Statute or by Board Resolution.

The Board of Commissioners also appoints various boards and commissions to oversee specific County services and to advise the Board. Appointments to specific County functions include the Department of Human Services Board, the collaborative Planning Commission, the Veterans Affairs Board, the Solid Waste Authority, the 911 Authority, the Historical Courthouse Committee, the Community Mental Health Board, the Community Corrections Board, and the Local Emergency Planning Committee.

FINANCIAL PRACTICES

Factors Affecting Financial Condition

With the ongoing fiscal difficulties faced by the State of Michigan, substantial reductions in revenue sharing payments to local governments including Lapeer County have occurred. Since December 2002 the State by executive order of the Governor or by legislative action, has been forced to reduce the level of spending and/or increase taxes and fees. Included in those reductions was revenue sharing payment to Lapeer County which declined from a peak of \$2,157,761 in 2001 to \$769,523 in FY 2004.

In 2004, PA 356 was signed into law by the Governor which temporally suspended revenue sharing for counties and created a Revenue Sharing Reserve Fund. PA 356 provided that the RSRF would be funded through a phased adjustment over three years (2004-2006) by moving the collection of only County operating property tax from the December levy to July. The revenue generated each year from the accelerated tax collection beginning in 2004 is deposited into the RSRF with annual transfers to the General Fund in lieu of the annual revenue sharing payment beginning in 2006. The full shift to the July tax date will occur in 2007 as indicated in the following table:

<u>Year</u>	<u>July Tax</u>	<u>December Tax</u>	<u>RSRF</u>
2004	-	3/3	1/3
2005	1/3	2/3	1/3
2006	2/3	1/3	1/3
2007	3/3	-	-

The transfer to the General Fund will be indexed to the FY 2003/2004 state payment of \$1,432,407 with annual consumer price index adjustments. The reserve fund is expected to last until FY 2010/2011 at which time state revenue sharing will resume pursuant to PA 356.

The level of investment income remains a concern. The County Treasurer and the Finance Office engage in a vigorous investment program within the statutory guidelines. Notwithstanding the focus on timely investment management, present economic conditions continue to limit return. In 2002, the County earned \$636,187 on investments. In 2005 the earned interest was \$437,401.

Steady growth in development throughout the County continues to provide an incremental annual increase in property tax revenue. While not offsetting other lost or reduced revenue, the expansion of taxable value, even with the required rollback in the tax rate, provides some restrained capacity to meet the growing demands on the general fund budget.

Another possible threat to general fund revenue emerges from the filing of a lawsuit against the Register of Deeds by a Title Company. The Company asserts that the Register of Deeds should sell discounted title information notwithstanding the statutory one dollar fee to title companies.

Long term Financial Planning/Budgeting

In response to the constraints evolving with revenue reductions and limitations, Lapeer County refocused on a long-term financial planning perspective. In 2003 the Board of Commissioners adopted a Multi-Year Fiscal Plan and established a biennial budget process. Under the provisions of the Uniform Budget Act for Local Government (PA 621 of 1978), the General Appropriations Act serves as the foundation for financial planning and control. The two year budget and the Multi-Year Fiscal Plan provide a basis to anticipate current fiscal challenges and take appropriate action to respond to major budgetary fluctuations.

The County has also adopted a position control system and adheres to the practice of budgeting for full employment. Consequently, salary and fringe benefits appropriations are tied to specific authorized positions, not to the individual factors and variances that occur with employees in the respective positions. This practice adds substantial stability to budget management.

Grant management has received additional attention by analyzing long term budget effects occurring through the transfer of expense to the general fund when a grant expires. A historical review of grant based initiatives underscores the program and activities cost that has subsequently become an expense in the general fund. Therefore, grant proposals are reviewed to ensure that any long time cost are identified prior to any authorization to submit and any match or continuation expense are fully identified before approval.

Capital Improvement/Acquisitions

A key element in overall fiscal planning has been the strong support of the Board of Commissioners in maintaining facilities and equipment. Through the adoption of a capital planning and budgeting process, the County has taken affirmative steps to maintain buildings, parking lots, and the fleet. Capital budgeting has in addition provided the means to address technology needs and to replace aging equipment on a schedule. The Delinquent Tax Revolving Fund is becoming the principle source of funding for the capital budget, relieving the General Fund of a major cost. Through this systematic approach, the cost of major capital expenditures may be planned within available revenue sources without the necessity of debt.

A multi-year technology plan has been approved by the board of Commissioners. This Plan provides a footprint for the development of a cost effective informational technology system that gives each department the capacity to meet internal needs, yet ensures that hardware and software are acquired to integrate into the county-wide system. A single point of access, at substantial cost benefit, provides internet capacity for all departments.

Cooperative Purchasing

Substantial benefit has been achieved from the participation in cooperative/ group purchasing programs. Fleet replacement vehicles have been acquired from the State of Michigan and/or the Oakland County programs at discounted prices. By partnering with the Road Commission for gasoline purchases, each unit has benefited through lower pricing per gallon. Office supplies are obtained through contract pricing with the State and various service programs.

Shared Services

As the County faces new budgetary pressures, opportunities to partner with other units of government are considered when circumstances allow. While highly nontraditional, the County signed agreements with St Clair County to share the duties of their Equalization Director and Director of Veterans Affairs. This arrangement has resulted in cost containment and will be monitored during the life of the agreement to determine cost benefit and measure the delivery of service. Preliminary reviews indicate that service has been enhanced and cost savings achieved. A principle factor in the equalization office was meeting the State mandate to obtain the service of a Level IV assessor. With the agreement, the Level IV requirement was met.

Bond Rating

The County of Lapeer is cognizant of the value of Bond ratings for the present and future development of infrastructure throughout the County. A constant focus of fiscal planning is the attainment of Bond ratings that support low interest rates when the need to acquire capital occurs. It is not only the County that benefits from a favorable rate, but local units that borrow with the pledge of limited faith and credit of the County. In fiscal 2005 Standard & Poor's affirmed it's A+ rating and A+ underlying rating on the outstanding GO bonds. Concurrently, Moody's Investment Service upgraded the general obligation limited tax pledge debt to A1 from A2. The continued growth of the County underscores the potential for greater borrowing in the foreseeable future. Without a focused financial planning perspective relating to ratings of future debt issues, the cost to the citizens of the County to improve or construct public facilities may be significantly higher.

Budgeting Controls

The County maintains budgetary internal controls with the objective of ensuring compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General Fund and Special revenue funds are included in the annual appropriated budget. The approved budgets of the County are adopted for the General Fund at the activity level and the Special Revenue at the fund level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act. However, budgets are maintained throughout the year at the account level to provide additional control in preventing over-expenditures at levels adopted for reporting to the State of Michigan. Budgetary transfers are permitted in accordance with Board adopted budget policies.

Cash Management: The County remains conservative in cash management and fully complies with State regulations regarding investments. The County Treasurer invests first for the safety of principle, then for liquidity for cash flow, finally to maximize interest earned. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions with which investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial market. Typical investments include demand deposits, a cash management investment trust fund, certificates of deposit, U.S. Government securities, bankers' acceptance of United States banks, and high quality commercial paper. The average yield on pooled cash investments during 2005 was 2.83 with higher rates on long-term investments.

Risk Management: The County is completely self-insured for unemployment compensation. In addition the County has assumed some risk for workers' compensation, health, dental, and vision insurance, and liability insurance. As part of the overall risk management plan, resources are being accumulated in internal service funds to meet liabilities. Reserves are also maintained in a loss retention fund with the Michigan Municipal Risk Management Authority to meet potential losses. MMRMA provides \$10 million in liability coverage on an occurrence basis with an \$185,000 self-insured retention per liability claim; \$30,000 retention for each vehicle claim, and 10% of the first \$100,000 of property loss after a \$1,000 deductible.

Major Initiatives

The extensive renovation and security work reached the final stages in the County Complex Building. The first floor and lower level were completed. Boilers and the chiller were replaced with state of the art units resulting in enhanced energy efficiency. With the completion of the first floor, the two District Court Judges were able to return to their modernized courtrooms. The new jury assembly room was placed into service eliminating scheduling conflict with other rooms when jury panels were called. Community corrections, the truancy officers, and the community development program were moved to their permanent offices in the lower level.

The implementation of the Information Systems Plan to upgrade technology throughout all Departments is progressing according to the timetable. The collaborative effort with the Immediate School District for internet and fiber optics has proven to be a cost effective and productive initiative. The process of imaging records to provide for immediate access and to reduce the need for expensive storage space for paper documents began. This phase of the Plan will be implemented over a multi-year time line, and as the legal requirements for document retention are amended to allow for the digital storage of data.

An eight acre parcel adjacent to the present Jail and Sheriff's Department was acquired with an eye to the future. While the present facility meets present needs, the projected growth of the County will in all probability require expansion of jail bed space. The maturation of the Community Correction Program has provided an additional element in the management of the jail population, consequently allowing for systemic planning without the pressure of overcrowding.

The Historic Courthouse restoration continued into the year. Constructed in 1846, this building has been the focus of a community supported effort to preserve one of the oldest Courthouses in the Nation. As a National Historical Site, this building is a focal point of the community. In addition to a County allocation, the volunteer Restoration Committee remains committed to the task of raising funds to underwrite the expense to preserve this historic treasure. With the installation of the elevator, access to the second floor without the use of the circular stairs will encourage further use. The fire suppression system was expanded and a brick walkway to the south entrance was completed. The Historical Society, a principle partner in the restoration undertaking, continues to regularly scheduled dates allowing visitors to tour the more accessible building.

AWARDS AND ACKNOWLEDGEMENTS:

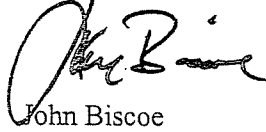
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lapeer County for its CAFR for the fiscal year ending December 31, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The County has been a recipient of the Award each year since 1997.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The reports must satisfy both generally accepted accounting principles and applicable legal requirements.

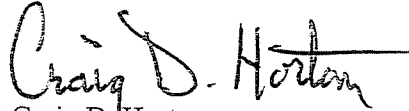
The Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to Certificate of Achievement Program requirements, and are submitting it to the GFOA to determine eligibility for recognition for FY 2005.

Acknowledgments: The preparation of this report could not have been accomplished without the patient and dedicated services of many of the County departments and the various elected and appointed officials. Our appreciation is extended to all who assisted in the preparation of this document. We would also like to thank the Board of Commissioners for their commitment and support in the planning and management of the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



John Biscoe
Administrator/Controller



Craig D. Horton
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lapeer County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



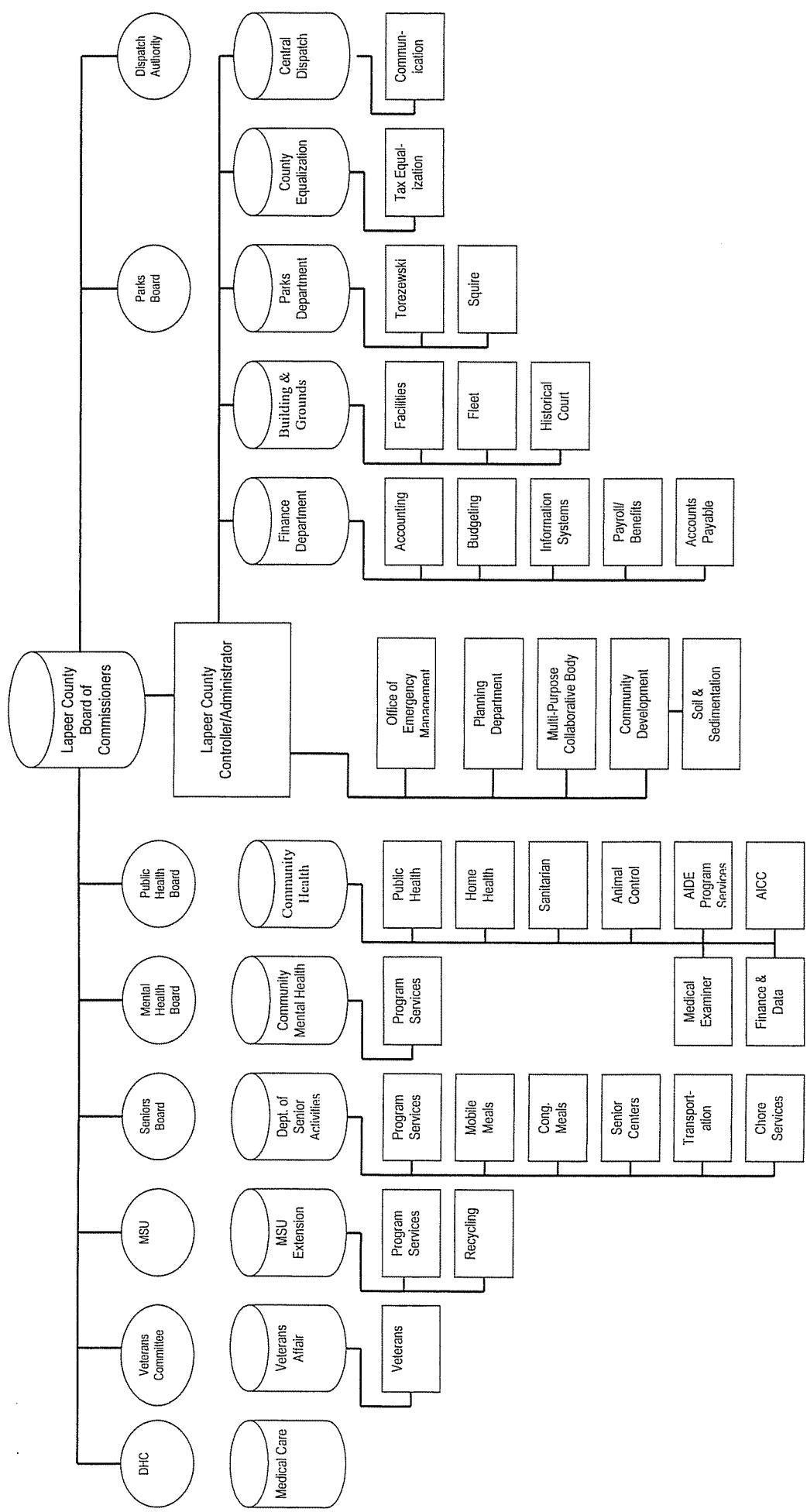
Carla E. Judge

President

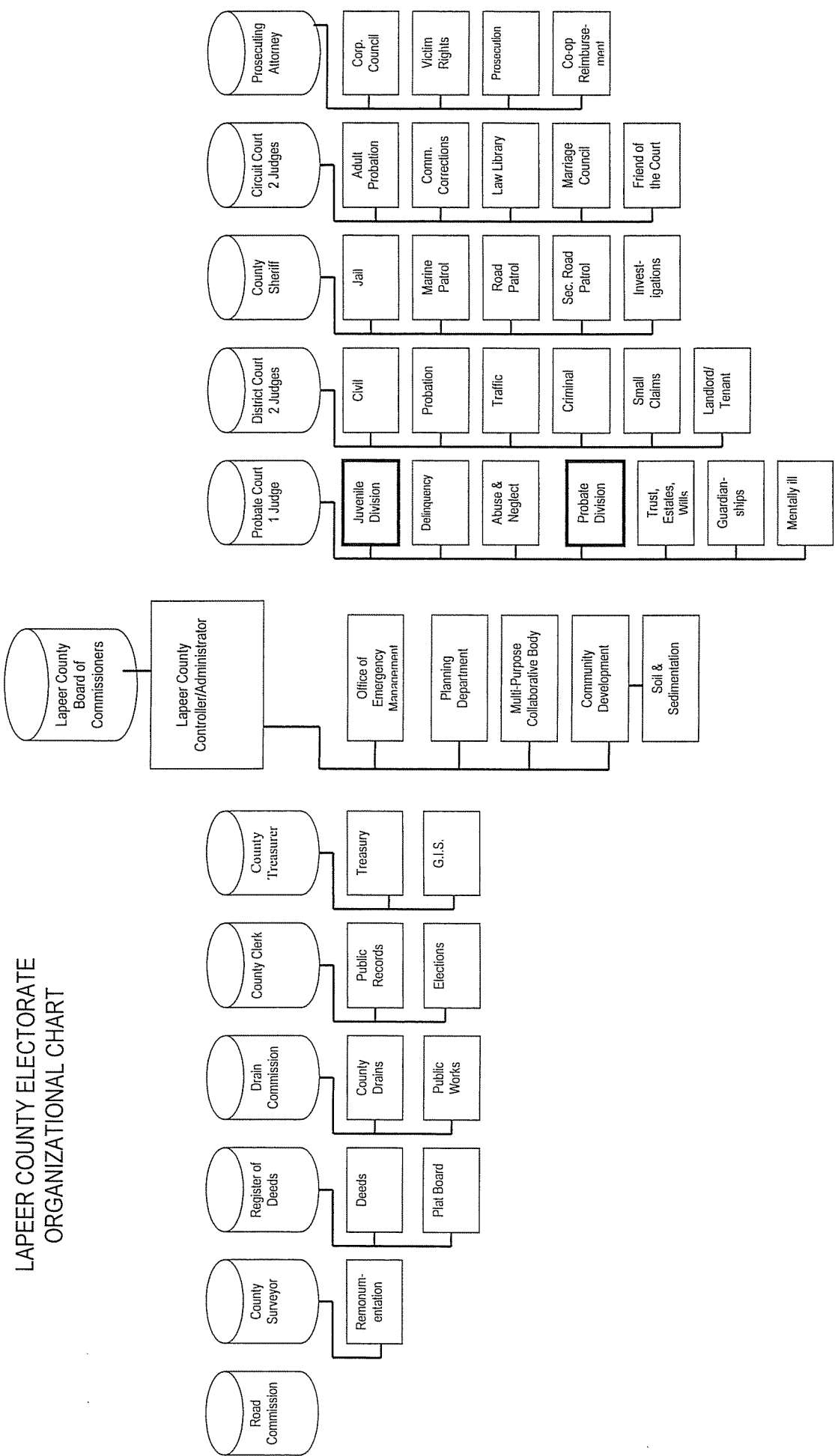
Jeffrey R. Emer

Executive Director

LAPEER COUNTY APPOINTED ORGANIZATIONAL CHART



LAPEER COUNTY ELECTORATE ORGANIZATIONAL CHART



LAPEER COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Chairperson
David Taylor

Vice Chairperson
Cheryl Clark

Members

Dyle Henning
Lenny Schneider

Joyce Bonesteel

C. Ian Kempf
Ron Dahlke

COURT JUDGES

John T. Connolly
District Court

Michael Higgins
Family Court

Laura Cheger Barnard
District Court

Nick O. Holowka
Family Court

Justus Scott
Family Court

COUNTY ELECTED OFFICIALS

Sally Eilersen
Treasurer

Ron Kalanquin
Sheriff

John Cosens
Drain Commissioner

Marlene M. Bruns
Clerk

Byron Konschuh
Prosecuting Attorney

Ray Davis
Surveyor

Melissa DeVaugh
Register of Deeds

County Appointed
John Biscoe
Controller/Administrator

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2006, on our consideration of Lapeer County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12, and schedules of budgetary comparisons on pages 68 through 73 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly we express no opinion on them.



Certified Public Accountants

April 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the County of Lapeer's financial performance with an overview of the activities for the fiscal year ending December 31, 2005. This analysis should be read in conjunction with the transmittal letter, beginning on page i of this report, and with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- In total, Lapeer County improved its financial position during fiscal year 2005.
- Net assets increased \$2,510,525 to \$56,970,440 (excluding component units).
- Government activities net assets increased \$1,332,195 to \$34,979,304.
- Business-type activity net assets increased \$1,178,330 to \$21,991,136.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$14,020,741 increasing \$1,936,682 from the prior year governmental funds combined ending fund balance.
- The primary reason for the increase was the establishment of the "Revenue Sharing Reserve Fund" (RSRF) required by PA 357 of 2004. The RSRF was created from the proceeds of shifting the annual County operating millage from a December 1 levy date to a July 1 levy date over three years. The balance in the RSRF increased from \$2,531,654 in FY 2004 to \$4,659,353.
- The shift accelerates the tax collections and results in an additional year of property tax collection over the three-year period (e.g. Four years of property tax levied within three fiscal years). This additional tax revenue will be used to replace the State Revenue Sharing the County had received which was suspended by PA 357 of 2004. An annual transfer from the RSRF equaling the last State Revenue Sharing payment in 2004 of \$1.46 million was made to the General Fund in 2005 and will occur in each subsequent fiscal year through 2010 until the Fund is depleted and the suspended State Revenue is restored.
- The General Fund Balance increased by \$274,064 to \$2,415,908.
- The Budget Stabilization Fund balance increased to \$2,027,275 from \$1,976,014 consistent with the financial planning objective of the Fund having a balance equaling 10% of the General Fund.

Capital and long-term Debt Activities:

- The County's capital assets experienced a net decrease of \$931,514 to \$30,125,548 during the fiscal year.
- The County issued \$2,830,000 for Imlay-Bigelow Drain and Branches Drainage District. The County Road Commission entered into an installment purchase agreement in the amount of \$1,419,191.
- The County paid \$2,333,000 in bond and note obligations during fiscal year 2005.
- The County is \$388,444,319 below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of 1) the Introductory Section, which includes the Transmittal Letter; 2) the Financial Section, which contains the Auditor's Report, the Management's Discussion and Analysis, the Basic Financial Statements (government-wide financial statements, fund financial statements, and notes to the financial statements), Required Supplementary Information, such as a budget to actual comparison for the Major Funds, additional Non-Required Information including combining financials statements for all non-major funds and proprietary funds; and; 3) the Statistical Section, which provides a 10-year history on specific data regarding the County.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the County's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both statements report the following activities:

Governmental Activities - Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the County included legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture.

Business-type Activities – These activities operate like private businesses. The County charges fees to recover the cost of the service provided. The Medical Care Facility is an example of this type of activity.

Discretely Presented Component Units - Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. The Road Commission is an example of this type of activity.

The government-wide financial statements include not only the County itself (known as the primary government) but also a legally separate Road Commission, a legally separate Department of Public Works, and legally separated Drainage Districts for which the County is financially accountable. Financial information for these component units is reported separately from the primary governmental unit itself.

The government-wide financial statements can be found on pages 13 - 15 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of funds available to meet expenses, as well as on balances of those resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Health Department Fund, Community Mental Health Fund, the E-911 Fund, and the Revenue Sharing Reserve Fund, all of which are considered major funds. Data from the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Revenue Sharing Reserve Fund was established pursuant to PA 357 of 2004. In 2004, the State suspended revenue sharing to counties. To replace the lost revenue, counties were required to create a Revenue Sharing Reserve Fund (RSRF) and impose a summer property tax levy. Beginning in 2005, one-third (1/3) of the ad valorem property tax levy will be collected as a summer tax. In 2006, two-thirds (2/3) of the levy will shift to summer collection, and by 2007, the entire collection will occur in the summer. The intent of the act in creating the RSRF was to provide alternative funding to replace the lost Revenue Sharing. The shift in tax collection will build a balance in the fund, wherein pursuant to State guidelines, the County may withdraw approximately \$1.46 (adjusted by CPI) million per year until the balance is exhausted by 2010. PA 357 of 2004 affirms that State Revenue Sharing will be restored when the RSRF is depleted.

The County adopts a biennial (rolling) appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

Proprietary funds: Proprietary funds use the accrual basis of accounting, which is the same type used by private business. The County maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Delinquent Tax Fund and the Medical Care Facility.

Internal Service funds are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses internal service funds to account for its various employee benefits and risk programs as well as an equipment pool.

Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Delinquent Tax Fund and the Medical Care Facility, which are considered major funds of the County. The County's Internal Service Funds are presented in the proprietary fund financial statements in the Governmental Activities-Internal Service Funds column.

The basic proprietary fund financial statements can be found on pages 22 - 26 of the report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The largest of the Fiduciary Funds is the Pension Fund. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 - 28 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 67 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary comparisons for the 5 major governmental funds. This required supplementary information can be found on pages 68 - 73 of this report.

The combining statements referred to earlier in connection with the non-major governmental, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 74 - 110 of this report.

Government-wide Financial Analysis

GASB Statement No. 34 was implemented by Lapeer County in 2003. Comparative analysis of government-wide data is presented in this MD&A.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$56,970,440.

Approximately 32.3%, or \$18,458,772 of the County's net assets is unrestricted and available for future obligations. Approximately 46.7%, or \$26,599,248 of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The analysis below focuses on the net assets of the County's government and business-type activities.

Net Assets of Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total Governmental	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other						
Assets	\$ 23,180,359	\$ 25,582,663	\$ 16,893,556	\$ 15,933,905	\$ 40,073,915	\$ 41,516,568
Capital Assets	<u>20,627,273</u>	<u>21,166,259</u>	<u>9,498,275</u>	<u>10,130,228</u>	<u>30,125,548</u>	<u>31,296,487</u>
Total Assets	<u>43,807,632</u>	<u>46,748,922</u>	<u>26,391,831</u>	<u>26,064,133</u>	<u>70,199,463</u>	<u>72,813,055</u>
Liabilities						
Long-term debt						
outstanding	1,552,056	1,762,834	2,424,359	3,315,044	3,976,415	5,077,878
Other Liabilities	<u>7,276,272</u>	<u>11,338,979</u>	<u>1,976,336</u>	<u>1,936,283</u>	<u>9,252,608</u>	<u>13,275,262</u>
Total Liabilities	<u>8,828,328</u>	<u>13,101,813</u>	<u>4,400,695</u>	<u>5,251,327</u>	<u>13,229,023</u>	<u>18,353,140</u>
Net Assets:						
Invested in Capital Assets,						
net of debt	19,165,973	19,575,975	7,433,275	7,145,228	26,599,248	26,721,203
Restricted	11,296,788	6,562,611	615,632	498,836	11,912,420	7,061,447
Unrestricted	<u>4,516,543</u>	<u>7,508,523</u>	<u>13,942,229</u>	<u>13,168,742</u>	<u>18,458,772</u>	<u>20,677,265</u>
Total Net Assets	<u>\$ 34,979,304</u>	<u>\$ 33,647,109</u>	<u>\$21,991,136</u>	<u>\$ 20,812,806</u>	<u>\$ 56,970,440</u>	<u>\$ 54,459,915</u>

The County's combined net assets increased from \$54,459,915 to \$56,970,440 for a net change of Governmental and Business-type activities of \$2,510,525.

The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets for Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total Governmental	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program Revenue:						
Charges for services	\$ 10,954,595	\$ 19,959,766	\$ 14,537,302	\$ 14,683,831	\$ 25,491,897	\$ 34,643,597
Operating grants and Contributions	17,645,715	7,660,864	-	-	17,645,715	7,660,864
Capital Grants and Contributions	785,924	181,841	-	-	785,924	181,941
General Revenue:						
Property Taxes	15,081,491	13,825,956	2,054,142	1,925,363	17,135,633	15,751,319
Grants and Contributions not restricted to specific Programs	-	1,287,208	311,804	317,946	311,804	1,605,154
Other	<u>567,529</u>	<u>537,174</u>	<u>125,453</u>	<u>20,637</u>	<u>692,982</u>	<u>557,811</u>
Total Revenue	<u>45,035,254</u>	<u>43,452,909</u>	<u>17,028,701</u>	<u>16,749,777</u>	<u>62,063,955</u>	<u>60,400,686</u>
Expenses:						
Legislative	273,694	252,618	-	-	273,694	252,618
Judicial	4,588,516	4,418,052	-	-	4,588,516	4,418,052
General Government	5,627,863	6,320,824	-	-	5,627,863	6,320,824
Public Safety	9,080,322	8,052,226	-	-	9,080,322	8,082,226
Public Works	486,381	378,218	-	-	486,381	378,218
Health and Welfare	21,418,610	21,641,181	-	-	21,418,610	21,641,181
Recreation and Culture	846,669	821,982	-	-	846,669	821,982
Other Activities	1,567,547	1,403,536	-	-	1,567,547	1,403,536
Interest on Long-Term Debt	66,483	33,098	-	-	66,483	33,098
Medical Care Facility	-	-	15,304,727	16,057,336	19,304,727	16,057,336
Delinquent Tax	<u>-</u>	<u>-</u>	<u>130,799</u>	<u>57,718</u>	<u>130,799</u>	<u>57,718</u>
Total Expenses	<u>43,956,085</u>	<u>43,321,735</u>	<u>15,435,526</u>	<u>16,115,054</u>	<u>59,391,611</u>	<u>59,436,789</u>
Increase in net assets before transfers	1,079,169	131,174	1,593,175	832,723	2,672,344	936,897
Transfers	<u>253,026</u>	<u>803,850</u>	<u>(414,845)</u>	<u>(600,000)</u>	<u>(161,819)</u>	<u>203,850</u>
Increase in net assets	1,332,195	935,024	1,178,330	232,723	2,510,525	1,167,747
Net assets at beginning of year, as restated	<u>33,647,109</u>	<u>32,712,085</u>	<u>20,812,806</u>	<u>20,580,083</u>	<u>54,459,915</u>	<u>53,292,168</u>
Net assets at end of year	<u>\$ 34,979,304</u>	<u>\$ 33,647,109</u>	<u>\$ 21,991,136</u>	<u>\$ 20,812,806</u>	<u>\$ 56,970,440</u>	<u>\$ 54,559,915</u>

Governmental activities:

The largest revenue for governmental activities is the allocated operating property tax. The property tax rate decreased from 3.8539 in 2004 to 3.8165 in 2005 as a result of the Headlee Amendment and the application of the base tax rate reduction fraction. As noted, this rate is the sixth lowest among the 83 counties in Michigan.

Although the taxable value of the property increased from \$2,632,809,751 in 2004 to \$2,805,165,220, the County does not retain the entire property tax that is collected from this base. Tax Increment Finance Authorities (TIFA) and Downtown Development Authorities (DDA) established by local units of government “captured” \$529,321 property tax revenue that otherwise would have been available for use in the General Fund. It is important to note the existing TIFA’s and DDA’s continue to “capture” each year an increasing percentage of the total property tax, thereby limiting the capacity of the County to otherwise apply the revenue to mandated and essential activities.

The decrease in charges of services by \$9,005,171 and the increase of operating grants by \$9,984,851 are due to the reclassification of revenue. Managed Care Capitated Payments to Community Mental Health of Lapeer County was classified as charges for services in 2004 and to operating grants and contribution in 2005. The total of Managed Care Capitated Payments was \$11,634,553 in 2005.

State Revenue Sharing, which had been the second largest single source of general revenue, was suspended in 2004. In 2001 the County received \$2,157,761 in State Revenue Sharing, declining to \$769,523 by 2004. As noted in the introduction section, PA 357 of 2004 provided for the shift of property tax payments and the creation of the Revenue Sharing Reserve Fund. In accordance with the Act, \$1,480,196 was transferred to the General Fund from the RSRF for operations. This was the first transfer from the RSRF and as with revenue sharing, represents the second single source of general revenue.

Revenue by Source – Governmental Activities

	<u>2005</u>	<u>2004</u>
Taxes	\$ 15,215,839	\$ 13,827,448
Licenses and permits	744,802	673,888
Intergovernmental	18,431,634	18,564,780
Charges for services	6,595,429	6,750,267
Fines and forfeits	567,729	441,379
Rents and royalties	454,466	455,079
Interest	567,529	537,174
Other	<u>2,592,169</u>	<u>2,452,965</u>
	<u>\$ 45,169,600</u>	<u>\$ 43,702,980</u>

In total, fiscal year 2005 governmental activity revenue increased by \$1,466,620. This net increase was principally the result of the accelerated property tax collections effected by PA 357 of 2004.

Business-type activities:

Business-type activities increased the County's net assets by \$1,178,330.

Revenue by source – Business-Type Activities

	<u>2005</u>	<u>2004</u>
Charges for services	\$ 13,813,759	\$ 13,578,887
Interest on taxes	354,158	504,423
Fees and penalties on delinquent taxes	196,781	464,618
Other operating revenues	172,604	135,848
Property Taxes	2,054,142	1,925,363
Donations	9,929	57,554
Interest on investments	2,054,142	1,925,363
Intergovernmental transfer payment and management fee	125,453	20,637
Gain (Loss) on sale of assets	(223)	<u>55</u>
	<u>\$ 17,028,478</u>	<u>\$ 16,947,777</u>

Financial Analysis of the County's Major Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of non-restricted resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2005, the County's governmental funds reported combined ending fund balances of \$14,020,741, an increase of \$1,936,682, in comparison to the prior year. \$13,514,696 of this fund balance is unreserved which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement of policy, all County revenues and expenditures are recorded in the General Fund. At December 31, 2005 the general fund reported fund balance of \$2,415,908 with \$2,217,908 of that amount unreserved/undesignated. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund and the total fund to total fund expenditures. Unreserved fund balance represents 12.9% of the total general fund expenditures and transfers.

The 2005 amended budget of the general fund had revenues of \$17,273,299 and transfers in of \$1,432,492 with expenditures and transfers out of \$20,645,791. Included in the transfers out were \$160,500 to the Capital Construction & Improvement Fund for building improvements and technology. The budget variance at the end of the year was a positive \$2,214,064, or approximately 11.9% of expenditures and transfers out.

Of the four other major government funds, the Health Department reported a fund balance of \$580,344 with \$4,559 reserved, Community Mental Health reported a fund balance of \$798,412 with \$303,486 reserved, E-911 reported a fund balance of \$1,081,643, and Revenue Sharing Reserve reported a fund balance of \$4,659,353.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2005.

The Delinquent Tax Fund reported an increase in net assets of \$200,362 to \$10,439,358. The Medical Care Facility Fund reported an increase of \$977,968 to \$11,551,778.

Capital Assets and Debt Administration

Capital Assets: The County's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounted to \$30,125,548 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building and improvements, construction in progress, machinery and equipment, and vehicles.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Governmental	
	2005	2004	2005	2004	2005	2004
Land	\$ 790,857	\$ 574,200	\$ -	\$ -	\$ 790,857	\$ 574,200
Land improvement	602,322	677,092	2,052	2,390	604,374	679,482
Construction in progress	182,456	1,537,660	-	-	182,456	1,537,660
Buildings and improvements	17,197,498	15,989,384	8,427,076	8,873,166	25,624,574	24,862,550
Machinery and equipment	1,411,203	1,987,583	1,069,147	1,254,672	2,480,350	3,242,255
Vehicles	<u>442,937</u>	<u>400,340</u>	<u>-</u>	<u>-</u>	<u>442,937</u>	<u>400,340</u>
Totals	<u>\$ 20,627,273</u>	<u>\$ 21,166,259</u>	<u>\$ 9,498,275</u>	<u>\$ 10,130,228</u>	<u>\$ 30,125,548</u>	<u>\$ 31,296,487</u>

Note 5 of the financial statements provides additional information regarding capital assets.

Outstanding Debt

Long-term debt: At December 31, 2005, the County had a total debt outstanding of \$4,899,559, declining from the 2004 debt by \$1,059,035.

	Governmental Activities		Business-type Activities		Total Governmental	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 1,425,000	\$ 1,535,000	\$ 2,985,000	\$ 3,840,000	\$ 4,410,000	\$ 5,375,000
Accrued Vacation and Sick	-	-	200,793	195,630	200,793	195,630
Accrued Claims Liability	<u>150,200</u>	<u>253,550</u>	<u>138,566</u>	<u>134,414</u>	<u>288,766</u>	<u>387,964</u>
	<u>\$ 1,575,200</u>	<u>\$ 1,788,550</u>	<u>\$ 3,324,359</u>	<u>\$ 4,170,044</u>	<u>\$ 4,899,559</u>	<u>\$ 5,958,594</u>

Additional information about the County's long-term debt can be found in Note 8 of the financial statements.

Economic Outlook

Lapeer County's use of a two year operating budget and a fiscal planning process has compelled a longer-term focus on fiscal stability. In this context, the County has maintained a balanced budget without disruptions in the delivery of mandated and essential public services. Notwithstanding the economic conditions and budget concerns impacting the State of Michigan and other local units of government in the state, the County through concerted fiscal management and prudent use of public funds has reduced an already low debt and insured that legacy cost obligation have been met. Additionally, the Capital Planning and Budget process has provided an effective means to address long-term capital needs within the available revenue without having to request addition funding from the voters.

Regardless of the present balance budget, fiscal pressures continue to exacerbate. The suspended state revenue sharing, the on-going increases in health care cost, new expenses from the State, and energy cost concerns, are examples of threats to our fiscal stability and underscore the need for intense fiscal planning and spending discipline. The Board of Commissioners continues to review services beyond those mandated by the State of Michigan to ascertain the appropriate level of service to be offered to the citizens of the County. Fiscal flexibility is also constrained by external pressures on the budgets, consequently limiting the ability to address growing demands for service with the increasing population particularly with emerging public safety and public health concerns.

What appear to be new fiscal realities in Michigan and changing needs and demands on county government emphasize the requirement for long term fiscal planning and "out of the box" thinking to maintain effective and efficient services. Some of the initiatives under taken by the County in this regard are discussed in the transmittal letter.

Request for Information

This financial report is designed to provide a general overview of the County's finances for our citizens, taxpayers, customers, investors and creditors and to demonstrate the County's accountability for the taxpayer money we receive. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Administrator/Controller, 255 Clay Street, Lapeer, Michigan 48446, or contact us at 810-667-0366.

BASIC FINANCIAL STATEMENTS

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS DECEMBER 31, 2005

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 9,638,334	\$ 2,223,491	\$ 11,861,825	\$ 3,949,846
Investments	8,257,519	3,994,437	12,251,956	2,250,000
Receivables (net of allowance)	8,776,543	4,406,616	13,183,159	13,125,012
Prepaid items	489,669	163,574	653,243	104,989
Internal balances	(4,290,175)	4,300,000	9,825	-
Inventory	2,469	109,110	111,579	654,758
Advance to component units	306,000	-	306,000	-
Other Assets	-	29,722	29,722	-
Temporary restricted - Assets -				
Cash and cash equivalents	-	584,184	584,184	-
Receivable - property taxes	-	1,082,422	1,082,422	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	973,313	-	973,313	37,194,499
Assets being depreciated	19,653,960	9,498,275	29,152,235	50,770,300
Total Assets	<u>43,807,632</u>	<u>26,391,831</u>	<u>70,199,463</u>	<u>108,049,404</u>
LIABILITIES:				
Payables and accrued liabilities	2,750,454	925,362	3,675,816	1,062,669
Due to fiduciary fund	47,225	-	47,225	-
Advances and deposits	58,742	-	58,742	475,397
Advances from primary government	-	-	-	306,000
Unearned revenue	4,419,851	-	4,419,851	-
Liabilities Payable from restricted assets	-	1,050,974	1,050,974	-
Non-current liabilities				
Due within one year	191,300	20,000	211,300	1,863,635
Due in more than one year	1,360,756	2,404,359	3,765,115	11,798,074
Total Liabilities	<u>8,828,328</u>	<u>4,400,695</u>	<u>13,229,023</u>	<u>15,505,775</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	19,165,973	7,433,275	26,599,248	76,692,330
Net assets -				
Restricted -				
Debt Service	180,756	613,024	793,780	-
Primary and local roads	-	-	-	2,115,175
Plant replacement and expansion	938,570	2,608	941,178	-
Revenue Sharing Reserve	4,659,353	-	4,659,353	-
E - 911 operations	1,081,643	-	1,081,643	-
Budget Stabilization	2,027,275	-	2,027,275	-
General and mental health	1,070,711	-	1,070,711	-
Other purposes	1,338,480	-	1,338,480	-
Unrestricted	<u>4,516,543</u>	<u>13,942,229</u>	<u>18,458,772</u>	<u>13,736,124</u>
Total Net Assets	<u>\$ 34,979,304</u>	<u>\$ 21,991,136</u>	<u>\$ 56,970,440</u>	<u>\$ 92,543,629</u>

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 273,694	\$ -	\$ -	\$ -
Judicial	4,588,516	1,580,081	1,251,095	-
General Government	5,627,863	3,660,140	1,048,199	-
Public Safety	9,080,322	2,166,574	785,655	785,924
Public Works	486,381	-	10,930	-
Health and Welfare	21,418,610	2,696,314	14,494,722	-
Recreation and Culture	846,669	229,879	12,737	-
Other Activities	1,567,547	413,985	42,377	-
Interest on Long Term Debt	66,483	207,622	-	-
Total governmental activities	43,956,085	10,954,595	17,645,715	785,924
Business type activities				
Medical Care Facility	15,304,504	13,876,815	-	-
Delinquent Tax	130,799	660,487	-	-
Total business type activities	15,435,303	14,537,302	-	-
Total Primary Government	59,391,388	25,491,897	17,645,715	785,924
Component Units				
Road Commission	10,568,606	1,701,039	1,668,921	8,715,177
Department of Public Works	261,626	-	-	191,745
Drainage Districts	1,231,803	120,508	474,559	3,421,416
Total Component Units	12,062,035	1,821,547	2,143,480	12,328,338
General revenues:				
Property taxes				
Grants and contribution not restricted to specific programs				
Unrestricted investment income				
Loss on sale of capital assets				
Transfers - internal activities				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		Total	Component Units
Governmental Activities	Business Type Activities		
\$(273,694)	\$ -	\$(273,694)	\$ -
(1,757,340)	-	(1,757,340)	-
(919,524)	-	(919,524)	-
(5,342,169)	-	(5,342,169)	-
(475,451)	-	(475,451)	-
(4,227,574)	-	(4,227,574)	-
(604,053)	-	(604,053)	-
(1,111,185)	-	(1,111,185)	-
141,139	-	141,139	-
<u>(14,569,851)</u>	<u>-</u>	<u>(14,569,851)</u>	<u>-</u>
-	(1,427,689)	(1,427,689)	-
-	529,688	529,688	-
<u>-</u>	<u>(898,001)</u>	<u>(898,001)</u>	<u>-</u>
<u>(14,569,851)</u>	<u>(898,001)</u>	<u>(15,467,852)</u>	<u>-</u>
-	-	-	1,516,531
-	-	-	(69,881)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,784,680</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,231,330</u>
15,081,491	2,054,142	17,135,633	-
-	311,804	311,804	-
567,529	125,453	692,982	220,333
-	(223)	(223)	-
253,026	(414,845)	(161,819)	30,407
<u>15,902,046</u>	<u>2,076,331</u>	<u>17,978,377</u>	<u>250,740</u>
1,332,195	1,178,330	2,510,525	4,482,070
<u>33,647,109</u>	<u>20,812,806</u>	<u>54,459,915</u>	<u>88,061,559</u>
<u>\$ 34,979,304</u>	<u>\$ 21,991,136</u>	<u>\$ 56,970,440</u>	<u>\$ 92,543,629</u>

LAPEER COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Health Department</u>	<u>Mental Health</u>	<u>E-911</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 119,731	\$ 500,433	\$ 2,379,565	\$ 886,656
Investments	6,986,168	-	-	-
Receivables -				
Current and delinquent property taxes	3,004,601	-	-	9,815
Interest and accounts	62,196	109,850	20,230	135,503
Due from other governmental units -				
Federal/State	254,331	85,646	36,202	42,052
Local	-	-	-	-
Due from other funds	79,776	-	-	-
Due from component units	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
Advances to other funds	108,000	-	7,500	-
Advances to component units	90,000	-	-	-
Prepayments and deposits	-	4,559	41,331	61,654
	<u>-</u>	<u>4,559</u>	<u>41,331</u>	<u>61,654</u>
Total Assets	<u>\$ 10,704,803</u>	<u>\$ 700,488</u>	<u>\$ 2,484,828</u>	<u>\$ 1,135,680</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 160,837	\$ 15,426	\$ 910,346	\$ 2,827
Accrued liabilities	257,253	95,069	48,601	36,422
Advances and deposits	58,742	-	-	-
Due to other governmental units -				
Federal/State	-	-	33,600	-
Local	31,439	-	642,365	-
Due to other funds	41,527	1,924	6,559	711
Due to fiduciary fund	25,105	7,725	-	4,262
Interfund payables	4,300,000	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	3,413,992	-	44,945	9,815
	<u>3,413,992</u>	<u>-</u>	<u>44,945</u>	<u>9,815</u>
Total Liabilities	<u>8,288,895</u>	<u>120,144</u>	<u>1,686,416</u>	<u>54,037</u>
Fund Balances:				
Reserved	198,000	4,559	303,486	-
Unreserved -				
Undesignated -				
General Fund	2,217,908	-	-	-
Special Revenue Funds	-	575,785	494,926	1,081,643
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	-	-
Total Equity	<u>2,415,908</u>	<u>580,344</u>	<u>798,412</u>	<u>1,081,643</u>
Total Liabilities and Fund Equity	<u>\$ 10,704,803</u>	<u>\$ 700,488</u>	<u>\$ 2,484,828</u>	<u>\$ 1,135,680</u>

The accompanying notes are an integral part of these financial statements.

Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
\$ 1,283,329	\$ 2,552,846	\$ 7,722,560
-	1,271,351	8,257,519
3,376,024	620,768	7,011,208
-	13,433	341,212
-	1,095,305	1,513,536
-	10,521	10,521
-	53,320	133,096
-	-	-
-	482,053	482,053
-	2,469	2,469
-	-	115,500
-	216,000	306,000
-	-	107,544
<u>\$ 4,659,353</u>	<u>\$ 6,318,066</u>	<u>\$ 26,003,218</u>
\$ -	\$ 316,347	\$ 1,405,783
-	108,958	546,303
-	-	58,742
-	64,227	97,827
-	1,077	674,881
-	97,669	148,390
-	10,133	47,225
-	482,053	4,782,053
-	7,500	7,500
-	745,021	4,213,773
-	1,832,985	11,982,477
-	-	506,045
-	-	2,217,908
4,659,353	3,365,755	10,177,462
-	180,756	180,756
-	938,570	938,570
<u>4,659,353</u>	<u>4,485,081</u>	<u>14,020,741</u>
<u>\$ 4,659,353</u>	<u>\$ 6,318,066</u>	<u>\$ 26,003,218</u>

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS DECEMBER 31, 2005

Fund Balances - total governmental funds	\$ 14,020,741
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	30,626,487
Accumulated depreciation	(13,164,803)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Delinquent Personal Property taxes	(90,185)
Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	
Bond premiums	(102,234)
Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets	
	44,356
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	
	125,378
Internal Service Funds used by management to charge cost of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
	5,055,472
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(1,425,000)
Insurance claims payable	(101,200)
Accrued interest on bonds/notes payable	(9,708)
Net Assets of governmental activities	<u>\$ 34,979,304</u>

The notes to the financial statements are an integral part of this statement.

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Health Department	Mental Health	E-911
Revenues:				
Taxes	\$ 9,723,100	\$ -	\$ -	\$ 1,284,791
Licenses and permits	18,818	392,905	-	-
Intergovernmental	1,375,351	1,501,754	11,634,553	-
Charges for services	3,009,202	1,399,080	312,539	43,976
Fines and forfeits	445,362	-	-	-
Rents and royalties	167,920	-	-	-
Interest	437,402	-	32,095	26,924
Other	2,235,759	108,481	28,989	-
Total Revenues	<u>17,412,914</u>	<u>3,402,220</u>	<u>12,008,176</u>	<u>1,355,691</u>
Expenditures:				
Current -				
Legislative	273,694	-	-	-
Judicial	3,383,182	-	-	-
General Government	5,083,180	-	-	-
Public Safety	4,931,469	-	-	-
Public Works	458,180	-	-	-
Health and Welfare	171,403	4,310,468	12,197,337	1,781,613
Recreation and Cultural	230,892	-	-	-
Other Activities	1,402,842	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>15,934,842</u>	<u>4,310,468</u>	<u>12,197,337</u>	<u>1,781,613</u>
Excess of revenues over (under) expenditures	<u>1,478,072</u>	<u>(908,248)</u>	<u>(189,161)</u>	<u>(425,922)</u>
Other Financing Sources (Uses):				
Transfers in	1,480,197	738,153	288,412	-
Transfers out	(2,684,205)	-	-	-
Total Other Sources (Uses)	<u>(1,204,008)</u>	<u>738,153</u>	<u>288,412</u>	<u>-</u>
Net change in Fund Balances	274,064	(170,095)	99,251	(425,922)
Fund Balances at beginning of year	<u>2,141,844</u>	<u>750,439</u>	<u>699,161</u>	<u>1,507,565</u>
Fund Balances at end of year	<u>\$ 2,415,908</u>	<u>\$ 580,344</u>	<u>\$ 798,412</u>	<u>\$ 1,081,643</u>

The accompanying notes are an integral part of these financial statements.

Revenue Sharing Reserve	Other Governmental Fund	Total Governmental Funds
\$ 3,557,239	\$ 650,707	\$ 15,215,837
-	333,079	744,802
-	3,919,981	18,431,639
-	1,830,632	6,595,429
-	122,367	567,729
-	286,546	454,466
35,812	35,296	567,529
-	218,940	2,592,169
<u>3,593,051</u>	<u>7,397,548</u>	<u>45,169,600</u>
-	-	273,694
-	1,184,804	4,567,986
-	245,526	5,328,706
-	3,403,309	8,334,778
-	27,601	485,781
-	2,631,142	21,091,963
-	513,006	743,898
-	58,171	1,461,013
-	841,275	841,275
-	110,000	110,000
-	59,350	59,350
<u>-</u>	<u>9,074,184</u>	<u>43,298,444</u>
<u>3,593,051</u>	<u>(1,676,636)</u>	<u>1,871,156</u>
-	2,261,471	4,768,233
(1,465,352)	(553,150)	(4,702,707)
<u>(1,465,352)</u>	<u>1,708,321</u>	<u>65,526</u>
2,127,699	31,685	1,936,682
<u>2,531,654</u>	<u>4,453,396</u>	<u>12,084,059</u>
<u>\$ 4,659,353</u>	<u>\$ 4,485,081</u>	<u>\$ 14,020,741</u>

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES DECEMBER 31, 2005

Net change in fund balances - total governmental funds	\$ 1,936,682
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	931,514
Depreciation expense	(1,383,896)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(134,346)
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Principal payments on long term liabilities	110,000
<p>Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, premium and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for purpose of net assets:</p>	
Decrease in accrued interest payable	367
Amortization of bond issuance costs	(4,928)
Amortization of premium on bonds	11,359
Amortization on of deferred loss on refunding	(13,931)
<p>Internal service funds used by management to charge costs of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The net revenues (expenses) attributable to those funds is reported with governmental activities.</p>	
	(203,976)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Decrease in accrued insurance claims payable	83,350
Change in net assets of governmental activities	<u><u>\$ 1,332,195</u></u>

The notes to the financial statements are an integral part of this statement.

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2005

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Fund
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,079,979	\$ 143,512	\$ 2,223,491	\$ 1,915,774
Investments	-	3,994,437	3,994,437	-
Accounts receivable				
Delinquent taxes	760,128	1,915,985	2,676,113	-
Accounts (net of allowance for doubtful accounts)	1,420,897	-	1,420,897	66
Accrued interest	2,617	306,989	309,606	
Inventories	109,110	-	109,110	-
Interfund receivables	-	4,300,000	4,300,000	-
Prepaid items	163,574	-	163,574	337,769
Due from other funds	-	-	-	25,119
Restricted Assets -				
Cash and cash equivalents	584,184	-	584,184	-
Receivable - property taxes (debt millage)	1,082,422	-	1,082,422	-
Total Current Assets	<u>6,202,911</u>	<u>10,660,923</u>	<u>16,863,834</u>	<u>2,278,728</u>
Capital Assets:				
Property, plant and equipment net of accumulated depreciation	9,495,460	2,815	9,498,275	3,165,589
Other Assets:				
Capital lease discount, net of amortization	29,722	-	29,722	-
Total Non-current assets	<u>9,525,182</u>	<u>2,815</u>	<u>9,527,997</u>	<u>3,165,589</u>
Total Assets	<u>15,728,093</u>	<u>10,663,738</u>	<u>26,391,831</u>	<u>5,444,317</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	257,797	3,500	261,297	15,952
Accrued liabilities	353,940	-	353,940	-
Advances and deposits	-	-	-	108,000
Due to other governmental units -				
Federal/State	89,245	-	89,245	-
Local	-	220,880	220,880	-
Current portion of workers' compensation claims	20,000	-	20,000	12,300
Deferred revenue	-	-	-	215,893
Liabilities payable from restricted assets -				
Patient trust liability	44,434	-	44,434	-
Patient deposits	86,540	-	86,540	-
Current portion of capital lease payable	920,000	-	920,000	-
Total Current Liabilities	<u>1,771,956</u>	<u>224,380</u>	<u>1,996,336</u>	<u>352,145</u>

Continued

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2005

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Fund
Long-Term Liabilities (less current portions):				
Accrued vacation and sick	200,793	-	200,793	-
Accrued workers' compensation claims	138,566	-	138,566	36,700
Capital lease payable (net of current portion)	2,065,000	-	2,065,000	-
Total Long-Term Liabilities	2,404,359	-	2,404,359	36,700
Total Liabilities	4,176,315	224,380	4,400,695	388,845
NET ASSETS:				
Invested in capital assets, net	7,430,460	2,815	7,433,275	3,165,589
Restricted for:				
Debt service	613,024	-	613,024	-
Plant replacement and expansion	2,608	-	2,608	-
Unrestricted	3,505,686	10,436,543	13,942,229	1,889,883
Total Net Assets	\$ 11,551,778	\$ 10,439,358	\$ 21,991,136	\$ 5,055,472

Concluded

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 13,704,211	\$ 109,548	\$ 13,813,759	\$ 3,535,038
Interest on taxes	-	354,158	354,158	-
Fees and penalties on delinquent taxes	-	196,781	196,781	-
Other	172,604	-	172,604	-
Total Operating Revenues	<u>13,876,815</u>	<u>660,487</u>	<u>14,537,302</u>	<u>3,535,038</u>
Operating Expenses:				
Personal services	-	-	-	369,045
Insurance and claims	-	-	-	3,112,414
Administrative and general	2,518,628	87,541	2,606,169	-
Maintenance	941,771	-	941,771	-
Nursing	6,300,029	-	6,300,029	-
Daycare	312,588	-	312,588	-
Professional service	3,892,234	-	3,892,234	-
Other services	-	41,850	41,850	-
Depreciation and amortization	651,025	1,408	652,433	445,055
Total Operating Expenses	<u>14,616,275</u>	<u>130,799</u>	<u>14,747,074</u>	<u>3,926,514</u>
Operating Income (Loss)	<u>(739,460)</u>	<u>529,688</u>	<u>(209,772)</u>	<u>(391,476)</u>
Non-Operating Revenues:				
Donations	9,929	-	9,929	-
Property taxes	2,054,142	-	2,054,142	-
Interest	39,934	85,519	125,453	-
Intergovernmental transfer payment and management fee	301,875	-	301,875	-
Maintenance of effort	(534,391)	-	(534,391)	-
Interest on capital lease and note	(153,838)	-	(153,838)	-
Gain (Loss) on sale of assets	(223)	-	(223)	-
Total Non-Operating Revenues (Expenses)	<u>1,717,428</u>	<u>85,519</u>	<u>1,802,947</u>	<u>-</u>
Net Income (Loss) Before Transfers	977,968	615,207	1,593,175	(391,476)
Transfers in	-	-	-	270,338
Transfers out	-	(414,845)	(414,845)	(82,838)
Change in Net Assets	977,968	200,362	1,178,330	(203,976)
Net Assets at beginning of year	<u>10,573,810</u>	<u>10,238,996</u>	<u>20,812,806</u>	<u>5,259,448</u>
Net Assets end of year	<u>\$ 11,551,778</u>	<u>\$ 10,439,358</u>	<u>\$ 21,991,136</u>	<u>\$ 5,055,472</u>

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 14,575,003	\$ 109,548	\$ 14,684,551	\$ 3,535,038
Cash receipts for taxes	-	572,252	572,252	-
Cash payments to suppliers and employees	(14,065,411)	(133,939)	(14,199,350)	(3,596,696)
Other receipts (payments)	172,604	-	172,604	1,706
Net Cash Provided (Used) by Operating Activities	<u>682,196</u>	<u>547,861</u>	<u>1,230,057</u>	<u>(59,952)</u>
Cash Flows From Noncapital Financing Activities:				
Internal balance receivables	-	(4,300,000)	(4,300,000)	-
Intergovernmental transfer payment	301,875	-	301,875	-
Property taxes	766,458	-	766,458	-
Maintenance of effort payment	(534,391)	-	(534,391)	-
Patient trust deposits	22,862	-	22,862	-
Transfers from/to other funds	-	(414,845)	(414,845)	187,500
Net Cash Provided (Used) By Noncapital Financing - Activities	<u>556,804</u>	<u>(4,714,845)</u>	<u>(4,158,041)</u>	<u>187,500</u>
Cash Flows From Capital and Related Financing Activities:				
Property taxes and contributions	1,132,924	-	1,132,924	-
Installment purchase agreement payments	-	-	-	-
Capital lease payment	(855,000)	-	(855,000)	-
Acquisition of capital assets	(13,230)	-	(13,230)	(358,451)
Gain (Loss) on equipment disposal	(223)	-	(223)	-
Interest on capitalized lease	(153,838)	-	(153,838)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>110,633</u>	<u>-</u>	<u>110,633</u>	<u>(358,451)</u>
Cash Flows From Investing Activities:				
Purchase of investments	-	(2,296,622)	(2,296,622)	-
Interest earned	39,934	85,519	125,453	-
Net Cash Provided (Used) by Investing Activities	<u>39,934</u>	<u>(2,211,103)</u>	<u>(2,171,169)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,389,567	(6,378,087)	(4,988,520)	(230,903)
Cash and Cash Equivalents at Beginning of Year	<u>1,274,596</u>	<u>6,521,599</u>	<u>7,796,195</u>	<u>2,146,677</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,664,163</u></u>	<u><u>\$ 143,512</u></u>	<u><u>\$ 2,807,675</u></u>	<u><u>\$ 1,915,774</u></u>
Statement of Net Assets -				
Cash and Cash Equivalent -				
Current assets	2,079,979	143,512	2,223,491	1,915,774
Temporary restricted assets	<u>584,184</u>	<u>-</u>	<u>584,184</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,664,163</u></u>	<u><u>\$ 143,512</u></u>	<u><u>\$ 2,807,675</u></u>	<u><u>\$ 1,915,774</u></u>

Continued

LAPEER COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Reconciliation of Net Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$(739,460)	\$ 529,688	\$(209,772)	\$(391,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation and amortization	651,025	1,408	652,433	445,055
Change in assets and liabilities-				
(Increase) decrease in -				
Receivable	870,792	(41,124)	829,668	-
Due from other funds	-	-	-	1,706
Due from other governmental units	-	1,832	1,832	-
Prepaid and deposits	(17,147)	-	(17,147)	(43,501)
Inventory	12,910	-	12,910	-
Increase (decrease) in-				
Accounts payable	(27,121)	3,500	(23,621)	(51,736)
Accrued liabilities	37,395	(8,048)	29,347	(20,000)
Deferred revenue	-	-	-	-
Due to individuals	-	-	-	-
Due to other governmental units	(84,825)	60,605	(24,220)	-
Due to other funds	(21,373)	-	(21,373)	-
Advances and deposits	-	-	-	-
Net Cash Provided (Used) By Operating Activities	<u>\$ 682,196</u>	<u>\$ 547,861</u>	<u>\$ 1,230,057</u>	<u>\$(59,952)</u>

Concluded

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 780,045	\$ 961,656
Investments	2,000,000	-
Receivables	-	43,880
Due from other funds	<u>45,293</u>	<u>-</u>
Total Assets	<u>\$ 2,825,338</u>	<u>\$ 1,005,536</u>
LIABILITIES:		
Accounts payable	\$ 146,532	\$ -
Due to individuals and agencies	-	497,886
Due to other governmental units	<u>-</u>	<u>507,650</u>
Total Liabilities	<u>\$ 146,532</u>	<u>\$ 1,005,536</u>
NET ASSETS:		
Held in trust for pension and health care benefits	<u><u>\$ 2,678,806</u></u>	

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Additions:

Contributions - employer	\$ 2,598,220
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Deductions:

Transfer to administrative agent	<u>2,630,070</u>
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Net reductions to net assets held in trust	(31,850)
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Net assets held in trust at beginning of year	<u>2,710,656</u>
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Net assets held in trust at end of year	<u><u>\$ 2,678,806</u></u>
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The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2005

	Road Commission	Board of Public Works	Drainage Districts	Totals
ASSETS				
Cash and cash equivalents	\$ 1,225,663	\$ 476,100	\$ 2,248,083	\$ 3,949,846
Investments	-	-	2,250,000	2,250,000
Receivables	3,880,702	5,013,507	4,230,803	13,125,012
Inventories	654,758	-	-	654,758
Due from primary government	-	-	-	-
Prepayments and deposits	104,989	-	-	104,989
Capital Assets (net of accumulated depreciation)				
Assets not being depreciated	34,389,330	-	2,805,169	37,194,499
Assets being depreciated	35,501,453	-	15,268,847	50,770,300
Total Assets	<u>75,756,895</u>	<u>5,489,607</u>	<u>26,802,902</u>	<u>108,049,404</u>
LIABILITIES				
Payables and current liabilities	367,862	428,439	112,847	909,148
Accrued interest	76,275	47,661	29,585	153,521
Due to primary government	-	-	-	-
Advances and deposits	475,397	-	-	475,397
Advance from primary government	-	-	306,000	306,000
Non-current liabilities				
Due within one year	808,635	495,000	560,000	1,863,635
Due in more than one year	3,138,577	4,518,507	4,140,990	11,798,074
Total Liabilities	<u>4,866,746</u>	<u>5,489,607</u>	<u>5,149,422</u>	<u>15,505,775</u>
NET ASSETS				
Invested in Capital Assets, net of related liabilities	66,021,592	-	10,670,738	76,692,330
Restricted for:				
Primary and local roads	2,115,175	-	-	2,115,175
Unrestricted	2,753,382	-	10,982,742	13,736,124
Total net assets	<u><u>\$ 70,890,149</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,653,480</u></u>	<u><u>\$ 92,543,629</u></u>

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Road Commission</u>	<u>Board of Public Works</u>	<u>Drainage Districts</u>	<u>Total</u>
Expenses:				
Public works	\$ -	\$ 261,626	\$ 1,231,803	\$ 1,493,429
Highways and streets	<u>10,568,606</u>	<u>-</u>	<u>-</u>	<u>10,568,606</u>
Total expenses	<u>10,568,606</u>	<u>261,626</u>	<u>1,231,803</u>	<u>12,062,035</u>
Program revenues:				
Charges for services	1,701,039	-	120,508	1,821,547
Operating grants and contributions	1,668,921	-	474,559	2,143,480
Capital grants and contributions	<u>8,715,177</u>	<u>191,745</u>	<u>3,421,416</u>	<u>12,328,338</u>
Total program revenues	<u>12,085,137</u>	<u>191,745</u>	<u>4,016,483</u>	<u>16,293,365</u>
Net program (expense) revenue	1,516,531	(69,881)	2,784,680	4,231,330
General revenues:				
Unrestricted investment income	56,502	16,599	147,232	220,333
Transfer from primary government	<u>30,407</u>	<u>-</u>	<u>-</u>	<u>30,407</u>
Total general revenues and transfers	<u>86,909</u>	<u>16,599</u>	<u>147,232</u>	<u>250,740</u>
Change in net assets	1,603,440	(53,282)	2,931,912	4,482,070
Net assets, beginning of year	<u>69,286,709</u>	<u>53,282</u>	<u>18,721,568</u>	<u>88,061,559</u>
Net assets, end of year	<u>\$ 70,890,149</u>	<u>\$ -</u>	<u>\$ 21,653,480</u>	<u>\$ 92,543,629</u>

The accompanying notes are an integral part of these financial statements.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The County of Lapeer, Michigan, was organized in 1837 and covers an area of approximately 666 square miles with the county seat located in the City of Lapeer, Michigan. The County operates under an elected Board of Commissioners (seven members) and provides services to approximately 88,000 residents in many areas; including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

BLENDED COMPONENTS UNITS -

LAPEER COUNTY BUILDING AUTHORITY is governed by a three (3) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Lapeer County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. Separate financial statements for the Authority are not published.

DISCRETELY PRESENTED COMPONENT UNITS -

LAPEER COUNTY ROAD COMMISSION maintains primary, local and state trunklines within Lapeer County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, reimbursements from the Department of State Highways for work performed by the Road Commission on state trunklines and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by Lapeer County residents through a general election. The Road Commission is financially accountable to the County for the following reasons: All general long-term debt issuances excluding capital lease purchase agreements require County authorization. In addition, the County must approve the annual budget appropriating the salaries and fringe benefits of the members of the Board of County Road Commissioners.

LAPEER COUNTY BOARD OF PUBLIC WORKS (BPW) is administered by the Drain Commissioner as appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW has the responsibility of administering the various public works construction projects and the associated debt service funds under the provision of Act 185 P.A. 1957, as amended. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

LAPEER COUNTY DRAINAGE DISTRICTS established pursuant to Act 40, P.A. 1956, as amended, the Michigan Drain Code are under the administration of the Lapeer County Drain Commissioner. The statutory Intercounty Drainage Board consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district upon authorization of the County Board of Commissioners.

COMPONENT UNIT FINANCIAL STATEMENTS - Complete financial statements of the Lapeer County Road Commission are audited separately and may be obtained from the administration office at the following location:

Lapeer County Road Commission
820 Davis Lake Road
Lapeer, Michigan 48446

The funds associated with the activities of the public works projects administered by the Lapeer County BPW and the drainage districts administered by the Lapeer County Drain Commissioner are included within the scope of the audit of the basic financial statements. Separate audited financial statements for these component units were not issued.

FISCAL YEAR ENDS - All of the County funds operate and are reported on a December 31 year end, with the exception of the Mental Health, Personal Care – Aide Program, Community Grants, Law Enforcement, Department of Senior Activities (DOSAs), FIA, Lapeer Continuation Coordinator and Child Care (Special Revenue) Funds, which operate and are reported on a September 30 fiscal year end.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government's financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due (2004 levy in 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers all revenues available if they are normally collected within 60 days after the year-end except for reimbursement grants which are recognized if collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on December 1, and due on February 28, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund - is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Health Department Fund - is used to account for the operations of providing health protection and preventive health services. Financing is provided by state and federal grants, charges for services and general fund appropriations.

Mental Health Fund - is used to account for the operations of providing specialized mental health services. Financing is provided by State Public Act 258, federal grants, charges for services and General Fund appropriations.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

E-911 Fund - is used to report the operations of the county-wide E-911 system. The operations are financed primarily with telephone surcharges.

Revenue Sharing Reserve Fund - is used to account for the collection of tax revenues that had been designated as replacement of State Shared Revenues.

The County reports the following major proprietary funds:

Medical Care Facility - is used to account for the operations of the County-owned Long-Term Care Facility.

Delinquent Tax Fund - is used to account for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the government reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - are used to account for the accumulation of resources for, and the payment of principal, interest and related costs on the long-term debt of the governmental funds.

Capital Project Funds - are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds).

Proprietary Fund Type -

Internal Service Funds - are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, for unemployment, workers' compensation, equipment acquisition and replacement and health care, and to account for the payment of related insurance claims and expenses.

Fiduciary Fund Types -

Retirement System Trust Fund - is used to account for the charges for services from departments and funds within the County and to account for the payment of contributions to the County defined benefit retirement plan.

Public Employee Health Care Trust Fund - is used to account for the accumulation and investment of funds to provide for the funding of health care benefits to former employees of the County.

Agency Funds - are used to account for assets held by the County as an agent for individuals, private organizations or other governments and funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses for Enterprise and Internal Service Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

The County maintains a common checking account for its operation funds. Each participating fund reports its share separately. To the extent that some funds have negative balances in their share of common cash, such negative balances represent temporary interfund borrowings and, at December 31, have been recorded as interfund payables to funds with positive balances.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pool funds have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are value at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories -

All inventories are valued at cost using the first in/first out (FIFO) method, except for the Road Commission (component unit) inventories that are stated at average cost. Inventories of governmental funds are recorded as expenditures when purchased, except the Road Commission (component unit) inventories which are recognized using the consumption method (recorded as expenditures when used).

Prepaid Items -

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar -

The County's 2004 property taxes (2005 revenues) were levied on December 1, 2004 based on the taxable value of property located in the County as of the proceeding December 31, by the various municipalities within the County. On September 30, 2004, the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to the following July starting in December 2004. All special purpose taxes will still be levied in December. As a result, the County levied 1/3 of its general millage in December 2005 based on the taxable value of property as of December 31, 2004, and will levy the remaining 2/3 of the millage on July 1, 2006, based on the assessed value as of December 31, 2005. The entire general millage will be levied in July 2007.

The property taxes levied in December 2004 are recognized as revenue in 2005. The property taxes levied December 1, 2005 are budgeted as revenues in the subsequent year, except as explained below, therefore have been accrued as current taxes receivable, with the appropriate deferral.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Public Act 357 provided a funding mechanism to serve as substitute to State Revenue Sharing Payments. This funding mechanism involves levying 1/3 of the general millage in December for three years, which is to be recorded in a Revenue Sharing Reserve Fund. This Revenue Sharing Reserve Fund will then pay the general fund the amount equal to the 2003 State Revenue Sharing payments. The amount levied in December 2005 has been recorded as receivable and revenue in the current year.

All special property taxes levied by the County (which are not affected by the Act) are budgeted as revenue in the subsequent year except the Medical Care Facility (or Enterprise Fund), which are recognized in the year levied.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drainage Districts component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the Lapeer County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives, with the exception for road equipment which is computed on the sum-of-the-years' digits method:

	Years		
	Primary	Road	Drainage
	<u>Government</u>	<u>Commission</u>	<u>Districts</u>
Building/improvements	5-50	40	-
Drain System	-	-	50
Road Systems/Other			
Infrastructure	-	8-50	-
Equipment	5-15	5-8	5-15

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Medical Care Facility and the Road Commission (component unit), individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in specific Special Revenue Funds or as part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to August 31, 2006, under separate cover as supplementary information to the Annual Financial Statements.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The County departments, in conjunction with the Finance Committee, prior to July 1, prepare budgets for the calendar year commencing the following January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budgets are presented to the County Board of Commissioners. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Commissioners Resolution.

The approved budgets of the County were adopted for the General fund at the activity level and the Special Revenue Funds at the fund level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the activity level for the General Fund and fund level for the Special Revenue Funds must be approved by the County Board of Commissioners. The Administrator/Controller is given authorization by the Board of Commissioners to make the final amendments to the legally adopted budget in December of each year, to allow for efficiency of the budget process.

The County does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Budget amounts are reported as originally adopted, or as amended by the Board of Commissioners, during the year.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

During the year ended December 31, 2005, the County (primary government) incurred expenditures in the General Fund and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level for the General Fund and fund level for the Special Revenue Funds as follows:

Excess of Expenditures Over Appropriations -

<u>Fund Type/Function/Activity</u>	<u>Amended Budget</u>	<u>Expended</u>	<u>Variance</u>
PRIMARY GOVERNMENT -			
General Fund -			
General Government -			
Elections	\$ 34,508	\$ 35,443	\$ 935
County Clerk	457,381	457,595	214
Medical Examiner (Health & Welfare)	49,074	50,735	1,661
Environment/Recycling (transfers out)	11,000	15,104	4,104
Police Service Contracts (transfers out)	259,178	259,897	719
Old Courthouse (transfers out)	59,000	60,500	1,500
Revenue Sharing Reserve Fund -			
Transfers Out	-	1,465,352	1,465,352
Nonmajor Special Revenue Funds -			
Rental Property (General Government)	\$ 75,656	\$ 85,009	\$ 9,353
Emergency Management (Public Safety)	152,091	832,794	680,703
Thumb Narcotics Unit (Public Safety)	194,305	297,675	103,370
Lapeer Area Youth Coordinator (Other)	33,262	38,276	5,014
Department of Human Services	59,550	197,961	138,411
Veterans' Trust (Health and Welfare)	4,364	9,906	5,542

The budget reported for the Department of Human Services Fund reflects only the anticipated local portion of the Agency budget provided by an annual County appropriation. The balance of the budget is financed through the State of Michigan. The Department of Human Services only requires a budget for the locally funded portion of the Department of Human Services Fund. Revenue Sharing Reserve Fund, a special revenue fund, did not have a budget for 2005.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

Investments are carried at cost or fair value as explained in Note 1, and are deposited in the name of the Lapeer County Treasurer. Act 217 PA 1982 as amended authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Act 20 PA 1943 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying Amount -

At year-end, the carrying amount of the County Reporting Entity's deposits and investments is \$34,628,412 as follows:

	Primary Government	Component Units	Fiduciary Unit	Reporting Entity
Cash on Hand -				
Petty cash and cash on hand	\$ 9,510	\$ 350	\$ 1,240	\$ 11,100
Deposits with Financial Institutions -				
Checking/Money Market	3,620,593	175,358	961,487	4,757,438
Savings/Certificates of Deposit	<u>4,318,789</u>	<u>2,250,000</u>	<u>2,000,000</u>	<u>8,568,789</u>
Total Deposits	<u>7,948,892</u>	<u>2,425,708</u>	<u>2,962,727</u>	<u>13,337,327</u>
Investments -				
Investment Trust Funds	8,315,906	3,774,138	778,974	12,869,018
U.S. Government Securities	7,436,860	-	-	7,436,860
Commercial Papers	<u>996,307</u>	<u>-</u>	<u>-</u>	<u>996,307</u>
Total Investments	<u>16,749,073</u>	<u>3,774,138</u>	<u>778,974</u>	<u>21,302,185</u>
Grand Total	<u>\$ 24,697,965</u>	<u>\$ 6,199,846</u>	<u>\$ 3,741,701</u>	<u>\$ 34,639,512</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Reconciliation To Statement of Net Assets

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	\$ 11,100
Cash in Checking	3,565,528
Cash in Savings	1,191,910
Certificates of Deposit	500,000
Investment Trust Funds	<u>12,869,018</u>
Total Cash and Cash Equivalents Reported	
on Statement of Net Assets	<u>18,137,556</u>
Reported as Investments -	
Certificates of Deposits	8,068,789
U.S. Government Securities	7,436,860
Commercial Papers	<u>996,307</u>
Total Investments Reported on Statement of Net Assets	<u>16,501,956</u>
 Grand Total – Statement of Net Assets	 <u>\$ 34,639,512</u>

Deposits with Financial Institutions -

The County has deposits and investments which are maintained for its primary government, component units, and fiduciary fund types.

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, as of December 31, 2005, the book value of the County's deposits was \$13,326,227 with a corresponding bank balance of \$16,480,283. Insured deposits were \$1,398,198, and the remaining \$15,082,085 was uninsured or uncollateralized.

An element of the County cash structure is the common accounts which are utilized by most of the funds and component units within the reporting entity. The common account consists of checking accounts and investment trust funds. The investment trust portions of \$12,869,018 in the common accounts are reported in the investment category of this note.

The County believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

As of December 31, the County had the following investment types:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Agency Securities	\$ 7,436,860	34.91 %
Investment Trust Funds	12,869,018	60.41
Commercial Papers	996,307	4.68
Total	<u>\$ 21,302,185</u>	100.00 %

Credit Risk - Investments – The County has invested \$7,436,860 in U.S. Agencies which are rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization (NRSROs). As of December 31, 2005, the County had \$996,307 invested in A1 (S&P), P1 (Moody's) commercial paper. In addition, the County investment trust funds have a fair value of \$12,869,018, in which \$11,903,971 carries an Aaa (Moody's) rating, \$199,147 carries an AAA/V1+ (Fitch) rating and \$765,900 is not rated. The investment funds seek to preserve the value of investment at \$1 per unit. The County's investment policy is silent on the use of rated versus unrated investment.

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of another party. The County's policy requires securities may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of December 31, 2005, \$12,201,956 of investments were held in third-party safekeeping not in the County's name, however, evidenced by safekeeping receipts.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investment policy requires diversification by security type but does not place a fixed percentage limit for any one issuer. As of December 31, 2005, the County had investments of 5% or more of the total portfolio as followed:

	<u>Fair Value</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 3,255,659	15.28 %
Federal Home Loan Mortgage Corporation	1,942,043	9.12
Federal National Mortgage Association	1,786,688	8.39

Interest Rate Risk - Investment - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year-end, the County's investments have the following range of maturity dates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>			
		<u><1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
U.S. Agency Securities	\$ 7,436,860	\$ -	\$ 3,427,981	\$ 1,187,638	\$ 2,821,241
Commercial Papers	996,307	996,307	-	-	-
Investment Trust Funds	<u>12,869,018</u>	<u>12,869,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>21,302,185</u>	<u>13,865,325</u>	<u>3,427,981</u>	<u>1,187,638</u>	<u>2,821,241</u>
Certificates of Deposits(1)	<u>\$ 8,068,789</u>	<u>\$ 4,000,000</u>	<u>\$ 2,654,626</u>	<u>\$ 740,403</u>	<u>\$ 673,760</u>

(1) Certificate of Deposits was presented to give an overall view of associated interest rate risks.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Negotiability – Negotiable certificates of deposit are usually in bearer form, and have secondary markets that are easily transferable and highly liquid. As of December 31, 2005, the County had negotiable Certificate of Deposits in the amount of \$3,268,789, and non-negotiable Certificate of Deposits in the amount of \$48,000,000.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property Taxes	\$ 7,011,208	\$ 3,758,535
Interest and accounts	341,278	1,730,503
Intergovernmental -		
Federal/State	1,513,536	-
Local	<u>10,521</u>	<u>-</u>
	8,876,543	5,489,038
Less - allowance for uncollectible	<u>(100,000)</u>	<u>-</u>
	<u>\$ 8,776,543</u>	<u>\$ 5,489,038</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund -		
Property taxes	\$ <u>-</u>	\$ <u>3,413,992</u>
Mental Health -		
Grants/fees received prior to meeting all eligibility requirements	<u>-</u>	<u>44,945</u>
E-911 -		
Property taxes	<u>9,815</u>	<u>-</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 4 - RECEIVABLES - (cont'd):

	<u>Unavailable</u>	<u>Unearned</u>
Non-Major Governmental Funds -		
Property taxes	\$ -	\$ 683,210
State grants	-	29,870
Prepaid rent	<u>-</u>	<u>31,941</u>
	<u>-</u>	<u>745,021</u>
Internal Service Funds -		
Prepaid services	<u>-</u>	<u>215,893</u>
	<u>\$ 9,815</u>	<u>\$ 4,419,851</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2005 was as follows:

	January 1, 2005			December 31, 2005	
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>	
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 574,200	\$ 319,214	\$ 102,557	\$	790,857
Construction in progress	<u>1,537,660</u>	<u>182,456</u>	<u>1,537,660</u>	<u>182,456</u>	
Total capital assets, not being depreciated	<u>2,111,860</u>	<u>501,670</u>	<u>1,640,217</u>	<u>973,313</u>	
Capital assets, being depreciated:					
Buildings	22,609,594	1,947,200	-	24,556,794	
Improvement other than buildings	1,678,182	9,260	-	1,687,442	
Machinery and equipment	7,665,695	259,800	-	7,925,495	
Vehicles	<u>1,625,928</u>	<u>212,252</u>	<u>-</u>	<u>1,838,180</u>	
Total capital assets being depreciated	<u>33,579,399</u>	<u>2,428,512</u>	<u>-</u>	<u>36,007,911</u>	
Less accumulated depreciation for:					
Buildings	6,620,210	739,086	-	7,359,296	
Improvements other than buildings	1,001,090	84,030	-	1,085,120	
Machinery and equipment	5,678,112	836,180	-	6,514,292	
Vehicles	<u>1,225,588</u>	<u>169,655</u>	<u>-</u>	<u>1,395,243</u>	
Total accumulated depreciation	<u>14,525,000</u>	<u>1,828,951</u>	<u>-</u>	<u>16,353,951</u>	
Total capital assets being depreciated, net	<u>19,054,399</u>	<u>599,561</u>	<u>-</u>	<u>19,653,960</u>	
Governmental activities capital assets, net	<u>\$ 21,166,259</u>	<u>\$ 1,101,231</u>	<u>\$ 1,640,217</u>	<u>\$ 20,627,273</u>	

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 5 - CAPITAL ASSETS - (cont'd):

	January 1, 2005			December 31, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Business Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 12,765,423	\$ -	\$ -	\$ 12,765,423
Improvement other than buildings	6,750	-	-	6,750
Machinery and equipment	<u>2,957,639</u>	<u>13,230</u>	<u>64,853</u>	<u>2,906,016</u>
Total capital assets being depreciated	<u>15,729,812</u>	<u>13,230</u>	<u>64,853</u>	<u>15,678,189</u>
Less accumulated depreciation for:				
Buildings	3,892,257	446,090	-	4,338,347
Improvements other than buildings	4,360	338	-	4,698
Machinery and equipment	<u>1,702,967</u>	<u>198,522</u>	<u>64,620</u>	<u>1,836,869</u>
Total accumulated depreciation	<u>5,599,584</u>	<u>644,950</u>	<u>64,620</u>	<u>6,179,914</u>
Total capital assets being depreciated, net	<u>10,130,228</u>	<u>(631,720)</u>	<u>233</u>	<u>9,498,275</u>
Business activities capital assets, net	<u>\$ 10,130,228</u>	<u>\$(631,720)</u>	<u>\$ 233</u>	<u>\$ 9,498,275</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 355,027
Public Safety	740,067
Public Works	600
Health and Welfare	202,566
Recreation and Cultural	<u>85,636</u>
Depreciation expense-governmental activities	1,383,896
Depreciation in the internal service funds	<u>445,055</u>
Total depreciation	<u>\$ 1,828,951</u>
Business-type activities:	
Medical Care Facility	\$ 643,543
Delinquent Tax Revolving	<u>1,407</u>
Total depreciation expense-business-type activities	<u>\$ 644,950</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 5 - CAPITAL ASSETS - (cont'd):

Discretely Presented Component Units

Drainage Districts. Activity for the Drainage Districts for the year ended December 31, 2005, was as follows:

	Balance January 1, 2005	Additions	Deletions	Reclassification	Balance December 31, 2005
Capital assets, not being depreciated:					
Land Improvements	\$ 2,495,228	\$ 309,941	\$ -	\$ -	\$ 2,805,169
Construction in progress	150,183	-	-	150,183	-
Total capital assets, not being depreciated	<u>2,645,411</u>	<u>309,941</u>	<u>-</u>	<u>150,183</u>	<u>2,805,169</u>
Capital assets, being depreciated:					
Equipment	360,677	-	-	-	360,677
Infrastructure	22,374,518	2,649,550	44,685	-	24,979,383
Total capital assets being depreciated, net	<u>22,735,195</u>	<u>2,649,550</u>	<u>44,685</u>	<u>-</u>	<u>25,340,060</u>
Less accumulated depreciation for:					
Equipment	360,677	-	-	-	360,677
Infrastructure	8,855,957	854,579	-	-	9,710,536
Total depreciation	<u>9,216,634</u>	<u>854,579</u>	<u>-</u>	<u>-</u>	<u>10,071,213</u>
Total capital assets being depreciated, net	<u>13,518,561</u>	<u>1,794,971</u>	<u>44,685</u>	<u>-</u>	<u>15,268,847</u>
Drain Commissioner capital assets, net	<u>\$16,163,972</u>	<u>\$ 2,104,912</u>	<u>\$ 44,685</u>	<u>\$ 150,183</u>	<u>\$18,074,016</u>

Depreciation expense for 2005 was \$854,579.

Road Commission. Activity for the Road Commission for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deletions	Adjustments and Removals	Balance December 31, 2005
Capital assets, not being depreciated:					
Land	\$ 159,507	\$ -	\$ -	\$ -	\$ 159,507
Land improvements	32,260,203	1,777,191	-	-	34,037,394
Right of Ways	180,046	-	-	-	180,046
Construction in Progress	-	12,383	-	-	12,383
Total capital assets, not being depreciated	<u>32,599,756</u>	<u>1,789,574</u>	<u>-</u>	<u>-</u>	<u>34,389,330</u>
Capital assets, being depreciated:					
Buildings and improvements	1,817,834	40,000	-	-	1,857,834
Road Equipment	6,081,374	1,854,491	698,671	-	7,237,194
Shop Equipment	154,591	-	-	-	154,591
Office Equipment	507,095	-	-	-	507,095
Engineering equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	38,429,939	2,665,786	-	1,166,021	39,929,704
Bridges	11,135,436	1,178,681	-	-	12,314,117
Traffic signals	83,723	-	-	-	83,723
Depletable assets -					
Gravel pits	205,130	-	-	-	205,130
Total Capital Assets, being depreciated	<u>58,485,822</u>	<u>5,738,958</u>	<u>698,671</u>	<u>1,166,021</u>	<u>62,360,088</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 5 - CAPITAL ASSETS - (cont'd):

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Adjustments and <u>Removals</u>	Balance December 31, <u>2005</u>
Less - accumulated depreciation for:					
Buildings and improvements	\$ 1,181,936	\$ 55,395	\$ -	\$ -	\$ 1,237,331
Road Equipment	4,358,677	728,755	628,031	-	4,459,401
Shop Equipment	154,591	-	-	-	154,591
Office Equipment	499,707	7,388	-	-	507,095
Engineering Equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	15,696,443	2,426,361	1,166,021	-	16,956,783
Bridges	3,041,413	260,404	-	-	3,301,817
Traffic signals	31,864	4,770	-	-	36,634
Depletable Assets -					
Gravel Pits	<u>134,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,283</u>
Total depreciation	<u>25,169,614</u>	<u>3,483,073</u>	<u>628,031</u>	<u>1,166,021</u>	<u>26,858,635</u>
Total Capital Assets, being depreciated, net	<u>33,316,208</u>	<u>2,255,885</u>	<u>70,640</u>	<u>-</u>	<u>35,501,453</u>
Road Commissioner capital assets, net	<u>\$ 65,915,964</u>	<u>\$ 4,045,459</u>	<u>\$ 70,640</u>	<u>\$ -</u>	<u>\$ 69,890,783</u>

Total depreciation for the year ended December 31, 2005 was \$3,483,073. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable/accrued liabilities	\$ 1,421,735	\$ 261,297
Accrued Interest	9,708	-
Wages and fringe benefits	546,303	353,940
Intergovernmental -		
Federal/State	97,827	89,245
Local	<u>674,881</u>	<u>220,880</u>
	<u>\$ 2,750,454</u>	<u>\$ 925,362</u>
Payables from restricted assets		
Patient Trust Liability	\$ -	\$ 44,434
Patient Deposits	-	86,540
Capital lease/GO Bonds current	<u>-</u>	<u>920,000</u>
	<u>\$ -</u>	<u>\$ 1,050,974</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of December 31, 2005 is as follows:

Due To/From Other Funds -

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 79,776	\$ 66,632
Health Department	-	9,649
Mental Health	-	6,559
E-911	-	4,973
Old Courthouse Restoration	1,500	-
Parks Department	35,000	920
Friend of the Court	-	3,207
Personal Care Aid	-	177
Animal Control	-	806
Budget Stabilization	-	79,705
Emergency Management	-	208
Community Grants	-	270
Police Service Contracts	-	4,227
Capital Acquisition	15,835	-
DOSA	-	448
Lapeer Area Youth Coordinator	-	22
Child Care	-	256
Department of Human Services	16,820	-
Retirement System Fund	45,293	-
Law Enforcement Program	-	10
Community Development Block Grant	-	455
Family Focus	-	17
Unemployment Insurance	441	-
Workers' Compensation	8,843	-
Law Enforcement Grant Funds	-	701
Lapeer Family Continuation Coordinator	-	538
Municipal Building	-	15,835
Total Per Financial Statements	<u>203,508</u>	<u>195,615</u>
Adjustments for September 30, year-end funds	<u>-</u>	<u>7,893</u>
Total	<u>\$ 203,508</u>	<u>\$ 203,508</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Total due from primary government funds, as shown on the accompanying financial statements, being \$7,893 more than due to primary government funds by \$7,893, was attributable to transactions with funds reported in a September 30 year-end.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

Advances From/To Other Funds -

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 108,000	\$ -
Mental Health	7,500	-
Multi Purpose Collaborative Body	-	7,500
Centralized Purchasing	-	4,000
Equipment Acquisition & Replacement	<u>-</u>	<u>104,000</u>
	<u>\$ 115,500</u>	<u>\$ 115,500</u>

The advances from the General Fund and Mental Health Fund were executed in order to assist the cash position (cash flow) of the respective recipient fund.

Advances From/To Primary Government & Component Units -

	<u>Receivable</u>	<u>Payable</u>
Primary Government -		
General Fund	\$ 90,000	\$ -
Budget Stabilization	216,000	-
Component Unit -		
Drainage Districts	<u>-</u>	<u>306,000</u>
	<u>\$ 306,000</u>	<u>\$ 306,000</u>

The advances from the General Fund Budget Stabilization Fund to the Drainage Districts were executed in order to assist in providing cash flow for various drain projects prior to the levy of special assessments.

Interfund receivable/payable –

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 4,300,000
Jail	482,053	-
Parks Department	-	19,836
Friend of the Court	-	68,120
Personal Care Aide	-	2,117
County Surveyor	-	62,481
Community Grants	-	48,280
Community Development Block Grant	-	5,716
4-H Programs	-	563
Child Care	-	57,733
Multi Purpose Collaborative Body	-	21,829
Emergency Management	-	195,378
Delinquent Tax Fund	<u>4,300,000</u>	<u>-</u>
	<u>\$ 4,782,053</u>	<u>\$ 4,782,053</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

The interfund receivable/payable balances at December 31, 2005 represent short-term borrowing between funds to cover negative cash balance in the common checking account in accordance with County Board of Commissioner's Policy.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	(3) Delinquent Tax Revolving Fund	\$ 14,845
General Fund	(2) RSRF	1,465,352
Parks & Recreation	(1) General Fund	270,000
Friend of the Court	(1) General Fund	269,475
Health Department	(1) General Fund	563,682
Health Department	(1) General Fund	135,683
Health Department	(1) General Fund	38,788
Mental Health	(1) General Fund	288,412
Personal Care-Aid Program	(2) Senior Millage	82,564
Animal Control	(1) General Fund	47,439
Environment/Recycling	(1) General Fund	15,104
Budget Stabilization	(1) General Fund	25,000
Emergency Management	(1) General Fund	44,898
Community Corrections	(1) General Fund	3,561
Public Service Contracts	(1) General Fund	259,897
Police Service Contracts	(1) General Fund	5,157
Law Enforcement Grants	(1) General Fund	7,914
Law Library	(1) General Fund	4,500
Department of Senior Activities	(2) Senior Millage	306,267
Lapeer Area Youth Coordinator	(1) General Fund	3,888
Family Independence Agency	(1) General Fund	16,820
Child Care	(1) General Fund	415,487
Lapeer Family Continuation Coordinator	(1) General Fund	20,500
Municipal Building Fund	(1) General Fund	100,000
Municipal Building Fund	(1) Delinquent Tax Revolving Fund	300,000
Courthouse Restoration (1) General Fund		60,500
Lapeer Family Continuation Coordinator	(1) Health Department	2,500
Capital Acquisition & Project Fund	(1) General Fund	87,500
Capital Acquisition & Project Fund	(3) Delinquent Tax Revolving Fund	<u>100,000</u>
Total transfers in		4,955,733
Adjustments for September 30, year-end funds		(131,912)
Total transfers out		<u>\$ 4,823,821</u>

Transfers represent (1) the movement of unrestricted revenues collected in the General Fund and Health Department Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations (annual appropriations), (2) the movement of tax revenue from the collecting fund to the fund that is authorized to expend the tax collections, and (3) the movement of unrestricted revenues collected in the Delinquent Tax Revolving Fund to other funds on an as needed basis in accordance with budgetary authorization.

Total transfers in for the primary government funds as shown in the accompanying financial statements were \$4,955,733 and total transfers out were \$4,823,821. The difference between these amounts, \$131,912, was attributable to transactions with funds, which are reported on a September 30 year-end. As such, this is reported as an uneliminated internal balance in the statement of activities.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

<u>Component Unit (Transfers In)</u>	<u>Primary Government (Transfers Out)</u>	<u>Amount</u>
Road Commission	Emergency Management	<u>\$ 30,407</u>

The transfer is to purchase equipment with Federal Grants for the Road Commission.

NOTE 8 - LONG-TERM LIABILITIES:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term liabilities (including current portions) of the Primary Government for the year ended December 31, 2005:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Governmental Fund -					
General Obligation Bonds	\$ 1,535,000	\$ -	\$ 110,000	\$ 1,425,000	\$ 155,000
Accrued Claims Liability	184,550	28,630	111,980	101,200	24,000
Less deferred amounts for:					
Issuance premium	113,593	-	11,359	102,234	-
Refunding loss	(139,309)	-	(13,931)	(125,378)	-
Total Governmental Funds	<u>1,693,834</u>	<u>28,630</u>	<u>219,408</u>	<u>1,503,056</u>	<u>179,000</u>
Internal Service Fund -					
Workers' Compensation Fund -					
Accrued claims liabilities	<u>69,000</u>	<u>20,800</u>	<u>40,800</u>	<u>49,000</u>	<u>12,300</u>
Total Governmental Activities	<u>1,762,834</u>	<u>49,430</u>	<u>260,208</u>	<u>1,552,056</u>	<u>191,300</u>
<u>Enterprise Funds:</u>					
Medical Care Facility -					
Capital lease/GO bonds	3,840,000	-	855,000	2,985,000	920,000
Accrued claims liabilities	134,414	1,116,776	1,112,624	138,566	20,000
Accrued vacation and sick	<u>195,630</u>	<u>688,882</u>	<u>683,719</u>	<u>200,793</u>	<u>-</u>
Total Enterprise Funds	<u>4,170,044</u>	<u>1,805,658</u>	<u>2,651,343</u>	<u>3,324,359</u>	<u>940,000</u>
Total Primary Government	<u>\$ 5,932,878</u>	<u>\$1,855,088</u>	<u>\$ 2,911,551</u>	<u>\$ 4,876,415</u>	<u>\$ 1,131,300</u>

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

Building Obligation Bonds -

Building authority bonds in the amount of \$2,300,000, dated March 23, 1989 were issued in connection with the construction of the CMH Building completed in 1990.

Building authority refunding bonds in the amount of \$2,170,000, dated July 13, 1994 were issued to partially defease the 1989 issue.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

On February 18, 2004, building authority refunding bonds in the amount of \$1,535,000 were issued to defease the 1994 issue. The payments are due in annual installments on May 1 ranging from \$140,000 to \$180,000 through 2014, with interest ranging from 2.00% to 5.00% due on May 1 and November 1 of each year. Issuance costs net of premium amounted to \$75,000.

\$ 1,425,000

The Building Authority Refunding Bonds - Series 2004 were issued net of a premium of \$113,593 and an underwriter's discount of \$9,898 in the amount of \$1,638,695. After paying \$26,386 for bond issuance and \$13,000 for insurance costs, the net proceeds of \$1,599,309 were placed in a special escrow account.

As a result of the advance refunding, the County reduced the total debt service requirements by \$140,107. This resulted in an economic gain (difference between the present value of the old and new debt) of \$124,601.

The proceeds of the 2004 refunding bonds like the 1994 refunding bonds that were placed in special escrow accounts are invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the Financial Statements. At December 31, 2005, the defeased bonds outstanding amounts to \$1,375,000 for the 1994 issue and \$1,364,125 for the 2004 issue.

On September 6, 1990, the County defeased the General Obligation Hospital Bonds, dated December 1, 1976, by establishing an irrevocable trust with cash and U.S. Treasury strips sufficient to meet the remaining principal and interest obligations. Accordingly, the trust account assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2005, the bond outstanding of \$950,000 due June 1, 2006 is considered defeased.

Accrued Claims Liability -

The County has estimated accrued liability claims, including an estimate for claims incurred but not reported (IBNR), administered through the Michigan Municipal Risk Management Authority. The dollar amount of these estimated claims is \$101,200 at December 31, 2005.

The County has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2004. The dollar amount of these claims is reported as a long-term liability on the balance sheet of the Workers' Compensation Fund is \$49,000 at December 31, 2005.

The Medical Care Facility has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2005. The dollar amount of these claims reported as a long-term liability on the balance sheet of the Medical Care Facility (Enterprise) Fund is \$138,566 at December 31, 2005.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Capital Lease/G.O. Bonds -

The County is obligated under a contract to lease with the Lapeer County Building Authority, the expansion and improvements to the Medical Care Facility. The obligation of the County under the Contract of Lease to make rental payments constitutes a general obligation of the County secured by its full faith and credit and under the provisions of the Act the County is required to provide annually sufficient moneys from its general funds for payment thereof, including any collections of ad valorem taxes which the County is authorized to levy on all taxable property within its boundaries. The lease payments are to be sufficient to cover the debt service requirements on the \$7,250,000 Building Authority Bonds – Series 2001. The payments are due in annual installments ranging from \$920,000 to \$1,070,000, with interest of 4.76%. \$ 2,985,000

Accrued Vacation and Sick -

In accordance with the contracts negotiated with the various employee groups of the Medical Care Facility of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in their contracts. The dollar amount of these vested rights, which has been accrued on the balance sheet of the Medical Care Facility Fund, amounts to approximately \$195,630 for vacation and sick leave at December 31, 2005. Sick days not used at the end of the calendar year are reimbursed to the employee at the rate of 50 percent.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2005, for the following bonds and notes (excluding accrued vacation and sick accrued insurance claims) of the Primary Government is as follows:

Year Ending December 31,	General Obligation Bonds		Capital Lease/G.O. Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 155,000	\$ 56,700	\$ 920,000	\$ 113,625
2007	150,000	53,650	995,000	70,538
2008	140,000	50,575	1,070,000	24,075
2009	160,000	45,000	-	-
2010	155,000	37,125	-	-
2011-2015	<u>665,000</u>	<u>69,375</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,425,000</u>	<u>\$ 312,425</u>	<u>\$ 2,985,000</u>	<u>\$ 208,238</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

COMPONENT UNITS -

The following is a summary of changes in long-term liabilities (including current portions) of the Component Units for the year ended December 31, 2005:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Road Commission -					
MTF Notes	\$ 2,940,000	\$ -	\$ 490,000	\$ 2,450,000	\$ 490,000
Capital lease agreement	38,400	-	38,400	-	-
Installment purchase agreement	-	1,419,191	-	1,419,191	283,838
Accrued vacation	74,909	112,836	109,724	78,021	34,797
Total Road Commission	<u>3,053,309</u>	<u>1,532,027</u>	<u>638,124</u>	<u>3,947,212</u>	<u>808,635</u>
Board of Public Works -					
General Obligation Bonds	4,706,000	-	439,000	4,267,000	450,000
Michigan State Revolving Loan	791,507	-	45,000	746,507	45,000
Notes payable agreement	<u>200,000</u>	-	<u>200,000</u>	<u>-</u>	<u>-</u>
Total BPW	<u>5,697,507</u>	<u>-</u>	<u>684,000</u>	<u>5,013,507</u>	<u>495,000</u>
Drainage Districts -					
Drain Notes	492,000	-	69,000	423,000	285,000
Drain bonds	<u>1,775,000</u>	<u>2,830,000</u>	<u>125,000</u>	<u>4,480,000</u>	<u>275,000</u>
	<u>2,267,000</u>	<u>2,830,000</u>	<u>194,000</u>	<u>4,903,000</u>	<u>560,000</u>
Total Component Units	<u>\$ 11,017,816</u>	<u>\$ 4,362,027</u>	<u>\$ 1,516,124</u>	<u>\$ 13,863,719</u>	<u>\$ 1,863,635</u>

Road Commission

MTF Note - Series 1997

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 1997, dated October 1, 1997, in the original amount of \$700,000. The payments are due in annual installments on August 1 of \$70,000 through 2007, with interest ranging from 4.8% to 4.9% due on February 1 and August 1 of each year. At December 31, 2005, the outstanding principal balance is \$140,000.

MTF Note - Series 2000

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2000, dated May 11, 2000, in the original amount of \$2,200,000. Principal payments are due in annual installments on August 1 of \$220,000 through 2010, with interest ranging from 4.8% to 5.0% due on February 1 and August 1 of each year. At December 31, 2005, the outstanding principal balance is \$1,100,000.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

MTF Note - Series 2000 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2000B, dated November 21, 2000 in the original amount of \$700,000. Principal payments are due in annual installments on August 1 of \$70,000 through 2010, with interest ranging from 4.8% to 5.0% due on February 1 and August 1 of each year. At December 31, 2005, the outstanding balance is \$350,000.

MTF Note - Series 2002

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2002, dated April 1, 2002, in the original amount of \$500,000. Principal payments are due in annual installments on August 1 of \$50,000 through 2011, with interest ranging from 4.15% to 4.60% due on February 1 and August 1 of each year. At December 31, 2005, the outstanding principal balance is \$300,000.

MTF Note - Series 2002 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2002B, dated May 15, 2002 in the original amount of \$800,000. Principal payments are due in annual installments on August 1 of \$80,000 through 2012, with interest ranging from 3.50% to 4.10% due on February 1 and August 1 of each year. At December 31, 2005, the outstanding balance is \$560,000.

Accrued Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the financial statements in the government-wide statements, amounts to approximately \$78,021 at December 31, 2005.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2005, except compensated absences, are as follows:

	MTF Note-Series 1997		MTF Notes-Series 2000		MTF Notes – Series 2002	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 70,000	\$ 6,790	\$ 290,000	\$ 71,270	\$ 130,000	\$ 34,210
2007	70,000	3,430	290,000	57,350	130,000	29,160
2008	-	-	290,000	43,175	130,000	24,110
2009	-	-	290,000	28,965	130,000	19,234
2010	-	-	290,000	14,500	130,000	14,125
2011-2012	-	-	-	-	210,000	12,060
	<u>\$ 140,000</u>	<u>\$ 10,220</u>	<u>\$ 1,450,000</u>	<u>\$ 215,260</u>	<u>\$ 860,000</u>	<u>\$ 132,899</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Installment Purchase Agreement

The Road Commission entered into an Installment Purchase Agreement in connection with the purchase of 12 truck cabs and chassis, dated May 5, 2005, in the original amount of \$884,314. The payments are due in annual installments on May 5 of \$176,862 through 2010, with interest of 3.3%, due May 5 of each year. At December 31, 2005, the outstanding principal balance was \$884,314.

The Road Commission entered into an Installment Purchase Agreement in connection with the purchase of 12 truck boxes, dated November 17, 2005 in the original amount of \$534,877. The payments are due in annual installments on November 11 of \$106,975 through 2010, with interest ranging of 3.3% May 5 of each year. At December 31, 2005, the outstanding principal balance was \$534,877.

The annual debt service requirements to maturity for the Installment Purchase Contracts are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 283,838	\$ 46,833
2007	283,838	37,467
2008	283,838	28,100
2009	283,838	18,733
2010	<u>283,838</u>	<u>9,367</u>
	<u>\$ 1,419,191</u>	<u>\$ 140,500</u>

Board of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal system for various township, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended. Original amount of the general obligation bonds issued in prior years was \$7,265,000. During the year no general obligation bonds were issued.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems reverts to the Township, Village or Cities. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.75 - 7.50	\$ 2,567,000
Governmental activities - refunding	4.25 - 5.95	<u>1,700,000</u>
		<u>\$ 4,267,000</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

On April 11, 1996, the County, through its Board of Public Works, defeased a portion of the Village of Dryden Wastewater Treatment System Bonds dated March 1, 1990 and the Township of Elba Wastewater Treatment System Bonds dated August 1, 1990, by establishing an irrevocable trust with the U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of \$1,550,000 and \$1,480,000 respectively. Accordingly, the trust account's assets and liabilities for the defeased bond issues are not included in the County's financial statements. At December 31, 2005, the bonds outstanding of \$1,095,000 and \$680,000 respectively are considered defeased.

On February 25, 1993, the County through its Board of Public Works defeased the Wastewater Treatment System (Village of Almont) Bonds dated March 1, 1987, by establishing an irrevocable trust with U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of \$1,725,000. Accordingly, the trust account's assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2005, the bonds outstanding of \$350,000 are considered defeased.

Annual debt service requirements to maturities for general obligation bonds and loans are as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>G.O. Bonds Refunded</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 110,000	\$ 125,085	\$ 340,000	\$ 87,665
2007	120,000	120,565	350,000	69,515
2008	121,000	115,350	190,000	54,980
2009	126,000	109,905	205,000	44,510
2010	125,000	104,095	110,000	32,799
2011-2015	735,000	422,350	505,000	61,725
2016-2020	890,000	217,890	-	-
2021-2022	<u>340,000</u>	<u>25,235</u>	<u>-</u>	<u>-</u>
	<u>\$2,567,000</u>	<u>\$1,240,475</u>	<u>\$1,700,000</u>	<u>\$ 351,194</u>

Annual debt service requirements to maturities for the State of Michigan Revolving loan are as follows:

State of Michigan Revolving Loan

A State of Michigan Revolving Loan has been obtained to construct a sewage disposal system for a Village in the County. The County in turn is leasing the system to the Village who operates, maintains and manages the system. The loan is backed by the full faith and credit of the Village and County pursuant to Act 185, Public Act of Michigan 1957, as amended. The original amount of the State of Michigan Revolving Loan was \$1,021,507.

The principal and interest are to be paid out of money received from the Village by the Board of Public Works pursuant to the lease agreement. Upon final payment of the loan, ownership of the system reverts to the Village. State of Michigan Revolving Loan currently outstanding is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.0%	\$ 746,507

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Annual debt service requirements to maturities for the State of Michigan Revolving Loan are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 45,000	\$ 18,100
2007	45,000	16,975
2008	45,000	15,850
2009	45,000	14,725
2010	50,000	13,538
2011-2015	265,000	48,376
2016-2020	<u>251,507</u>	<u>12,632</u>
	<u>\$ 746,507</u>	<u>\$ 140,196</u>
	<u>Interest Rate</u>	
Governmental Activities (G.O. Bonds) -		
Water System Improvements Bonds (Village of North Branch)	5.00 – 7.50	\$ 500,000
Sewage Disposal Systems Improvement Bonds - Series 2001 (Village of Almont)	4.60 – 5.10	42,000
Sewage Disposal Systems Improvement Bonds - Series 2002 (Village of Almont)	3.75 – 4.90	<u>2,025,000</u>
		<u>2,567,000</u>
Governmental Activities (G.O. Refunding) -		
Wastewater Treatment System Refunding Bonds – Series 1994 (Village of Almont)	5.50 – 5.60	330,000
Wastewater Treatment System Refunding Bonds (Village of Dryden)	5.10 – 5.95	990,000
Wastewater Treatment System Refunding Bonds (Township of Elba)	5.00 – 5.55	<u>380,000</u>
		<u>1,700,000</u>
		<u>\$ 4,267,000</u>
Governmental Activities (Revolving Loans) -		
Water System (Village of Dryden)	2.50	<u>\$ 746,507</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Drainage Districts -

Lapeer County through the Drain Commissioner, administers the construction of drains which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes and bonds are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Pubic Acts of 1976. Repayment of the notes and bonds are made from the special assessment revenues collected and are serviced from debt service funds. The full faith and credit of the Drainage Districts have been pledged for the making of said payments. Also, pursuant to a resolution adopted by its Board of Commissioners, the County of Lapeer has pledged its full faith and credit as additional security for the payment of the principal of and interest on the bonds. On March 29, 2005, the County issued \$2,830,000 in bonds connection with the Imlay-Bigelow Drain and Branches Drainage District. The payments are due in annual installments on June 1, 2006, ranging from \$125,000 to \$150,000 through 2025, with interest ranging from 4.2% to 4.7% due on June 1 and December 1 of each year. Underwriting fees and other issuance costs were approximately \$202,010. The balance at December 31, 2005 was as follows:

	<u>Interest Rate</u>	
Governmental Activities -		
Drain Notes -		
Mill Creek	2.18	\$ 216,000
Lake Lapeer Lake Level	3.48	<u>207,000</u>
		<u>423,000</u>
Drain Bonds -		
Potter Lake/Elba Sewer	4.50 – 5.00	\$ 1,215,000
Winn Lake District	5.00 – 5.60	435,000
Imlay-Bigelow and Branches Drainage District	4.20 – 4.70	<u>2,830,000</u>
		<u>4,480,000</u>
		<u>\$ 4,903,000</u>

Annual debt service requirements to maturities are as follows:

<u>Year Ended December 31,</u>	<u>Drain Notes</u>		<u>Drain Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 285,000	\$ 11,912	\$ 275,000	\$ 139,500
2007	69,000	4,802	275,000	130,350
2008	69,000	2,404	275,000	121,400
2009	-	-	275,000	112,650
2010	-	-	275,000	103,500
2011-2015	-	-	1,385,000	376,906
2016-2020	-	-	1,065,000	155,005
2021-2025	<u>-</u>	<u>-</u>	<u>655,000</u>	<u>43,965</u>
	<u>\$ 423,000</u>	<u>\$ 19,118</u>	<u>\$4,480,000</u>	<u>\$ 1,183,276</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 9 - RETIREMENT PLAN:

Plan Description -

Lapeer County, Michigan (the Primary Government along with the Board of Public Works and Drainage Districts) participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. The MERS plan was organized pursuant to Section 12A of Act 156, Public Acts of 1851 (MSA 5.33(a); MCLA 46.12(a), as amended, and is regulated under Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy -

The plan adopted by the Board of County Commissioners requires no member contribution except for department heads, elected officials, and POLC (sheriff union employees). The County is required to contribute at an actuarially determined rate; the weighted average rate for 2005 was 10.16% for sheriff's department employees, 6.66% for union employees and 12.00% for non-union employees at the Medical Care Facility, 9.15% for Department of Senior Activities and Health Department employees, 11.45% for general non-union employees, 10.50% for general union employees, and 12.14% for elected commissioners. The contribution requirements of plan members and the County are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Costs -

For the year ended December 31, 2005, the County's annual pension cost of \$1,526,544 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually), after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 – RETIREMENT PLAN – (cont'd):

Three-Year Trend Information

<u>Fiscal Year Ending December 31,</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APCNet Contribution</u>	<u>Pension Obligation</u>
2003	\$ 1,379,989	100 %	-
2004	1,526,544	100	-
2005	1,662,850	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Overfunded) Liability (UAAL) (b-a)</u>	<u>Funded Ratio (AAL) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAI as a % of Covered Payroll [(b-a)/c]</u>
2002	\$ 37,275,307	\$ 47,793,702	\$ 10,518,395	78 %	\$ 21,709,006	48 %
2003	40,320,750	49,842,139	9,521,389	81	22,301,228	43
2004	44,605,818	53,364,956	8,759,138	84	21,785,129	41

Road Commission -

The Lapeer County Road Commission, a component unit of the Lapeer County reporting entity, maintains a separate plan with MERS.

For the year ended December 31, 2005, employer contributions totaling \$310,630 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003.

Detailed information regarding the Lapeer County Road Commission pension plan is presented in its separately issued financial statements. The actuarially determined contribution requirement has been met.

NOTE 10 - POSTEMPLOYMENT BENEFITS:

Primary Government -

The Primary Government along with the Board of Public Works and Drainage Districts provides post-employment benefit for health care to select groups of employees based on employment contracts on a pay-as-you-go basis. At December 31, 2005, thirty-six sheriff deputies qualified under labor contract to receive a \$100-200 stipend per month and one sheriff deputy qualified to receive a \$100-200 per month towards health insurance after retirement. In 2005, sheriff deputies received benefits of \$2,350.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 9 – POSTEMPLOYMENT BENEFITS – (cont’d):

The County has contracted with a third party administrator to administer a defined contribution plan for postemployment health benefits.

Once an employee has worked for the County three years in a full-time capacity, the County will transfer thirty dollars (\$30) per month to the third party administrator to be deposited in the respective employees account upon reaching eligibility. Upon separation from County employment, the former employee will be entitled to draw from his account for the payment of postemployment health benefits after vesting.

Road Commission -

In addition to the pension benefits described in Note 10, the Lapeer County Road Commission provides postemployment health care and life insurance to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Expenditures for postemployment health care and life insurance benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2005, health care costs amounted to approximately \$316,811 for 37 eligible participants, \$22,111 for optical/dental reimbursement for approximately 37 eligible participants, \$22,685 for prescription reimbursement for approximately 37 eligible participants and \$10,867 for life insurance costs for approximately 34 eligible participants.

NOTE 11 - CONTINGENT LIABILITIES:

Primary Government -

The County participates in a number of federal and state assisted grant programs which are subject to compliance audits. The Single Audit of the Federal programs and the periodic program compliance audits of many of the state programs have not yet been conducted or completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Lapeer County Medical Care Facility is currently involved in litigation regarding grant funds (Hill-Burton Funds) they received several years ago to help build the facility. Under the grant document, the facility was to provide free services equal to the amount of funds received. The dispute is now over what qualifies under this stipulation. Isabella County Medical Care Facility and several other Michigan agencies are currently combining efforts on fighting this issue. At this time, it is undeterminable what the result of this suit may be and what, if any, effect it will have on the Facility's current financial statements.

A substantial portion of the Medical Care Facility, Public Health and Mental Health Department's total patient revenues are for services provided to Medicare, Medicaid and Blue Cross and Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

There are various other legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions, for which a reasonable estimate can be determined of the County's potential liability, if any, are considered to be immaterial.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 11 - POSTEMPLOYMENT BENEFITS – (cont'd):

Road Commission -

In the normal course of its operations, the Lapeer County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

Also as a part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 12 - RISK MANAGEMENT:

Primary Government -

The County maintains separate internal service funds to account for the costs of providing workers' compensation, unemployment and health insurance and the resources to finance those costs. Each participating fund of the County makes payments to the respective internal service fund equal to an established percentage of gross salaries for that fund. These payments are accounted for as other services and charges in the paying fund and charges for services in the receiving fund. The settlements have not exceeded insurance coverage for each of the past three years for workers' compensation, health care and the risk covered through participation with the Michigan Municipal Risk Management Authority.

The County is completely self-insured for unemployment compensation, and is self-insured for workers' compensation claims up to an aggregate annual amount of \$300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of \$3,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage.

In addition, the Primary Government, including the Board of Public Works and Drainage Districts, is a voluntary member of the Michigan Risk Management Authority established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately.

The administration of the Authority is directed by a nine member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, and to ensure the filing of all required reports and to act as a liaison between the County and the Authority.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 12 – RISK MANAGEMENT – (cont'd):

The Authority administers risk management funds providing Lapeer County with loss protection for general and auto liability, motor vehicle physical damage, and property. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000 per vehicle 30,000 per occurrence
Property and Crime	1,000 per occurrence, plus 10% of the next \$100,000 of loss

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2005, that Stop Loss Program limited the retention for Lapeer County to \$331,000 in aggregate claims paid during the year.

The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations.

The Authority has established a reserved fund balance to pay losses incurred by members which exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Lapeer County incurs a loss in excess of the resources available, the County is liable for the excess.

The County provides health insurance coverage through a private carrier, paying premiums adjusted annually. The coverage provided does not have individual or aggregate claims limits beyond deductibles of \$1,000 per claim. The deductible is shared \$800 by the County and \$200 by the employee.

A summary of the claims liability, as reported on the General Fund (Governmental Fund), the Medical Care Facility (Enterprise Fund) and the Workers' Compensation Fund (Internal Service Fund) balance sheet is as follows:

	<u>General Fund</u>		<u>Medical Care Facility</u>		<u>Workers' Compensation</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Reported claims	\$ 77,200	\$ 160,550	\$ 138,566	\$ 114,414	\$ 59,000	\$ 59,000
Provision for IBNR claims	<u>24,000</u>	<u>24,000</u>	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>
Total Claims Liabilities	<u>\$ 101,200</u>	<u>\$ 184,550</u>	<u>\$ 158,566</u>	<u>\$ 134,414</u>	<u>\$ 69,000</u>	<u>\$ 69,000</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 12 - RISK MANAGEMENT - (cont'd):

Changes in the balance of claims liability during the past year are as follows:

	<u>General Fund</u>		<u>Medical Care Facility</u>		<u>Workers' Compensation</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 184,550	\$ 179,000	\$ 134,414	\$ 151,232	\$ 69,000	\$ 69,000
Incurring claims (including IBNR's)	28,630	123,480	1,002,362	1,004,689	20,800	26,900
Claims Paid	(111,980)	(117,930)	(978,210)	(1,021,507)	(40,800)	(26,900)
Unpaid claims, end of year	101,200	184,550	158,566	134,414	49,000	69,000
Less current portion	(24,000)	(81,000)	(20,000)	(20,000)	(12,300)	(12,300)
Long-Term Liabilities	<u>\$ 77,200</u>	<u>\$ 103,550</u>	<u>\$ 138,566</u>	<u>\$ 114,414</u>	<u>\$ 36,700</u>	<u>\$ 56,700</u>

Component Units -

Road Commission -

The Road Commission is also a member of the County Road Association Self Insurance Pool for workers' compensation self-insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan. The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool.

The Road Commission provides for its employees dental/optical reimbursement programs for regular full-time employees, spouses and dependent children under nineteen (19) years of age. Based on their bargaining unit employees may be reimbursed for dental and/or optical up to \$650 for bills or apply their reimbursement amount to the cost of the insurance premium.

The Road Commission carries commercial insurance for all other risks of loss, including life, disability and health insurance, automobile liability, errors or omissions liability and bodily injury, property damage, personal injury liability and property (building and grounds). The amount of settlements (claims) for the past three years have not exceeded insurance coverage.

NOTE 13 - DEFERRED COMPENSATION:

The County, including its component units, offers its employees Deferred Compensation Plans created in accordance with the Internal Revenue Code Section 457.

A trust, custodial account or annuity contract assets are owned or held by a trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries. As a result, the County and its component units have determined a fiduciary relationship does not exist and therefore the Deferred Compensation Plans are not reported as part of the County or its component units.

As part of its fiduciary role, the County, including its component units have an obligation of due care in selecting the third party administrator. The County, including its component units believe they have acted in a prudent manner and are not liable for losses that may arise from the administration of the plan.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 13 - DEFERRED COMPENSATION – (cont'd):

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2005:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government -		
General Fund	Advance to Other Funds/Component Units	\$ 198,000
Special Revenue Funds -		
Health Department	Prepaid Expenditures	<u>4,559</u>
Mental Health	Prepaid Expenditures	41,331
	Advance to Other Funds	7,500
	Risk Corridor Financing	<u>254,655</u>
		<u>303,486</u>
Total Governmental Funds		<u>506,045</u>
Fiduciary Fund -		
Pension	Pension Benefit	1,336,616
Public Employee -		
Health Care	Health Benefit	<u>1,342,190</u>
		<u>2,678,806</u>
Total Primary Government Reserved Fund Balance		<u>\$ 3,184,851</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 9,863,932	\$ 9,863,932	\$ 9,723,100	\$(140,832)
Licenses and permits	16,155	16,155	18,818	2,663
Intergovernmental -				
Federal/State	1,465,989	1,453,202	1,375,351	(77,851)
Charges for services	3,065,777	3,097,210	3,009,202	(88,008)
Fines and forfeits	343,000	343,000	445,362	102,362
Interest and rent	367,313	474,228	605,322	131,094
Other	2,022,396	2,025,572	2,235,759	210,187
Total Revenues	<u>17,144,562</u>	<u>17,273,299</u>	<u>17,412,914</u>	<u>139,615</u>
Expenditures:				
Legislative:				
Board of Commissioners	<u>298,631</u>	<u>298,631</u>	<u>273,694</u>	<u>24,937</u>
Judicial:				
Circuit Court	549,772	560,572	554,094	6,478
District Court	1,470,541	1,470,541	1,426,610	43,931
Jury Board	4,590	4,590	3,998	592
Indigent Counsel	303,500	303,500	286,503	16,997
Probate Court	1,143,341	1,153,341	1,101,541	51,800
Adult Probation	<u>12,810</u>	<u>12,810</u>	<u>10,436</u>	<u>2,374</u>
	<u>3,484,554</u>	<u>3,505,354</u>	<u>3,383,182</u>	<u>122,172</u>
General Government:				
Administrative	237,767	237,767	227,178	10,589
Elections	13,075	34,508	35,443	(935)
Professional services	195,500	258,200	241,246	16,954
County Clerk	457,381	457,381	457,595	(214)
Tax Equalization	167,651	239,651	235,381	4,270
Prosecuting Attorney	1,159,869	1,159,869	1,134,955	24,914
Register of Deeds	347,319	347,319	323,915	23,404
County Surveyor	60,119	46,068	46,068	-
County Treasurer	492,648	495,648	481,235	14,413
Computer Operations	250,834	250,834	171,724	79,110
Accounting	329,466	329,466	261,903	67,563
Building Operations	394,425	436,375	415,992	20,383
Building and Grounds	723,074	723,074	699,885	23,189
Drain Commissioner	448,917	448,917	350,048	98,869
Boundary Commission	<u>593</u>	<u>613</u>	<u>612</u>	<u>1</u>
	<u>5,278,638</u>	<u>5,465,690</u>	<u>5,083,180</u>	<u>382,510</u>

Continued

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	2,605,553	2,583,728	2,510,475	73,253
Criminal Justice Training	9,524	10,788	10,788	-
Marine Safety	7,315	7,315	3,645	3,670
Emergency Services	2,000	2,000	2,000	-
Jail/Feeding Prisoners	2,344,717	2,369,717	2,369,661	56
Livestock Claims	1,000	1,000	325	675
Planning Commission	70,900	70,900	34,362	36,538
Plat Board	627	627	213	414
	<u>5,041,636</u>	<u>5,046,075</u>	<u>4,931,469</u>	<u>114,606</u>
Public Works:				
Road Commission	239,582	239,582	239,582	-
Drains - County at Large	91,912	218,598	218,598	-
	<u>331,494</u>	<u>458,180</u>	<u>458,180</u>	<u>-</u>
Health and Welfare:				
Medical Examiner	37,074	49,074	50,735	(1,661)
Veterans' Affairs	117,906	117,906	102,648	15,258
Veterans' Relief	1,000	1,000	-	1,000
Veterans' Burial	24,000	24,000	11,020	12,980
Economic Development Commission	7,000	7,000	7,000	-
	<u>186,980</u>	<u>198,980</u>	<u>171,403</u>	<u>27,577</u>
Recreation and Cultural:				
Conservation Activities	13,500	13,500	8,907	4,593
Cooperative Extension	232,617	236,313	221,985	14,328
	<u>246,117</u>	<u>249,813</u>	<u>230,892</u>	<u>18,921</u>
Other:				
Bonds and insurance	500,000	635,550	635,537	13
Health care saving program	-	750,000	750,000	-
Memberships and dues	18,050	18,050	17,305	745
Contingencies	1,200,000	938,868	-	938,868
	<u>1,718,050</u>	<u>2,342,468</u>	<u>1,402,842</u>	<u>939,626</u>
Total Expenditures	<u>16,586,100</u>	<u>17,565,191</u>	<u>15,934,842</u>	<u>1,630,349</u>
Excess of revenues over expenditures	558,462	(291,892)	1,478,072	1,769,964
Other Financing Sources (Uses):				
Transfers In	1,432,492	1,432,492	1,480,197	47,705
Transfers Out	(2,990,954)	(3,080,600)	(2,684,205)	396,395
Total Transfers	<u>(1,558,462)</u>	<u>(1,648,108)</u>	<u>(1,204,008)</u>	<u>444,100</u>
Net Change in Fund Balance	(1,000,000)	(1,940,000)	274,064	2,214,064
Fund Balance at beginning of year	<u>1,000,000</u>	<u>1,940,000</u>	<u>2,141,844</u>	<u>201,844</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,415,908</u>	<u>\$ 2,415,908</u>

Concluded

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HEALTH DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits	\$ 392,980	\$ 403,560	\$ 392,905	\$(10,655)
Intergovernmental -				
Federal/State	1,179,190	1,245,935	1,501,754	255,819
Charges for services	1,754,456	1,746,636	1,399,080	(347,556)
Other	75,676	118,726	108,481	(10,245)
Total Revenues	<u>3,402,302</u>	<u>3,514,857</u>	<u>3,402,220</u>	<u>(112,637)</u>
Expenditures:				
Health and Welfare	<u>4,194,162</u>	<u>4,396,606</u>	<u>4,310,468</u>	<u>86,138</u>
Excess of revenues under				
expenditures	(791,860)	(881,749)	(908,248)	(26,499)
Other Financing Sources (Uses):				
Transfers in	729,032	741,770	738,153	(3,617)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Sources (Uses)	<u>729,032</u>	<u>741,770</u>	<u>738,153</u>	<u>(3,617)</u>
Net change in Fund Balance	(62,828)	(139,979)	(170,095)	(30,116)
Fund Balance at beginning of year	<u>62,828</u>	<u>139,979</u>	<u>750,439</u>	<u>610,460</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 580,344</u></u>	<u><u>\$ 580,344</u></u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MENTAL HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
Federal/State	\$ 12,242,819	\$ 12,406,570	\$ 11,634,553	\$(772,017)
Charges for services	282,310	234,310	312,539	78,229
Interest	18,000	28,000	32,095	4,095
Other	-	-	28,989	28,989
Total Revenues	<u>12,543,129</u>	<u>12,668,880</u>	<u>12,008,176</u>	<u>(660,704)</u>
Expenditures:				
Health and Welfare	<u>12,831,541</u>	<u>12,957,292</u>	<u>12,197,337</u>	<u>759,955</u>
Excess of revenues under expenditures	<u>(288,412)</u>	<u>(288,412)</u>	<u>(189,161)</u>	<u>99,251</u>
Other Financing Sources (Uses):				
Transfers in	288,412	288,412	288,412	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Sources (Uses)	<u>288,412</u>	<u>288,412</u>	<u>288,412</u>	<u>-</u>
Net change in Fund Balance	-	-	99,251	99,251
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>699,161</u>	<u>699,161</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,412</u>	<u>\$ 798,412</u>

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - E-911 SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,376,848	\$ 1,376,848	\$ 1,284,791	\$(92,057)
Charges for services	23,200	23,200	43,976	20,776
Interest	20,000	20,000	26,924	6,924
Total Revenues	<u>1,420,048</u>	<u>1,420,048</u>	<u>1,355,691</u>	<u>(64,357)</u>
Expenditures:				
Public Safety	<u>1,597,221</u>	<u>1,797,221</u>	<u>1,781,613</u>	<u>15,608</u>
Excess of revenues under expenditures	(177,173)	(377,173)	(425,922)	(48,749)
Fund Balance at beginning of year	<u>177,173</u>	<u>377,173</u>	<u>1,507,565</u>	<u>1,130,392</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,081,643</u></u>	<u><u>\$ 1,081,643</u></u>

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - REVENUE SHARING RESERVE SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 3,557,239	\$ 3,557,239
Interest			35,812	35,812
Total Revenues	-	-	3,593,051	3,593,051
Other Financing Uses:				
Transfers Out	-	-	(1,465,352)	(1,465,352)
Net change in Fund Balance	-	-	2,127,699	2,127,699
Fund Balance at beginning of year	-	-	2,531,654	2,531,654
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,659,353</u>	<u>\$ 4,659,353</u>

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds of the County are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The Nonmajor Special Revenue Funds of the County are as follows:

Parks Department - is used to account for the operations of the County Park System financed primarily through an annual appropriation from the General Fund.

Polly Ann Trail - is used to account for grants to develop old railroad right-of-ways into walking and hiking trails.

Friend of the Court - is used to account for the revenues and expenditures of the Friend of the Court office required in 1982 under Public Acts 294 through 298. A significant amount of the financing of operations is from federal and state sources in the form of grant funding. Other sources of revenue include fees and General Fund appropriations.

Family Marriage Counseling - is used to account for the portion of marriage license fees set aside for providing family counseling to individuals who have domestic-related actions pending before the Circuit Court.

Personal Care Aide Program - is used to account for the federal and state funded grant program to provide in-home services to eligible recipients.

Animal Control - is used to account for the operations of providing public safety services associated with the control of domestic and wild animals within the County.

Emergency Disaster - is used to account for funds provided by the county Board of Commissioners to be used in the event of an emergency disaster.

County Surveyor - is used to account for funds received from Michigan Department of Labor & Economic Growth, Bureau of Construction Codes & Fire Safety Office of Land Survey and Remonumentation

Register of Deeds Automation - is used to account for the revenues and expenditures set aside for the updating and streamlining of the records system in the register of deeds office.

Budget Stabilization - is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds are transferred to this fund by resolution of the County Board of Commissioners and are only to be returned to the General Fund under conditions of the act.

Rental Property - is used to account for the collection of rents on a building purchased by the County to provide room for future expansion.

Emergency Management - is used to account for the costs of assuring that the County is ready and prepared for any emergency disasters and is primarily funded through federal and state grants.

Policing Contracts - is used to account for the providing of deputies to various communities through federal funding under the C.O.P.S. program.

Law Enforcement - is used to account for a number of law enforcement programs financed primarily with federal and state funding.

Law Enforcement - Other - is used to account for seized drug forfeitures and confiscated property earmarked for drug law enforcement under the provision of Public Act 135 of 1985.

Law Library - is used to account for penal fines earmarked for maintaining a law library. The County also supplements the operations with General Fund appropriations.

D.O.S.A. - Department of Senior Activities - is used to account for the operation of senior citizens health, welfare and recreational programs financed primarily through an ad valorem special property tax millage and federal and state grant sources.

Family Independence Agency - is used to maintain the operations of the County Family Independence Agency. The Agency administers programs financed primarily with federal and state funds to provide assistance to enable eligible recipients to gain self-sufficiency.

Child Care - is used to account for court-ordered expenses for the health and welfare of minor children. Financing is provided by General Fund appropriations and state matching of certain eligible costs.

Veterans' Trust - is used to account for earmarked revenue for aid to veterans. This fund is required by state law and financed by state grants.

Environmental/Recycling - is used to maintain the community host tipping fees assessed to users of the landfill. These fees support the costs of monitoring the landfill.

Community Development - is used to account for programs which benefit the members of the community. The funding is primarily federal grants for qualified housing renovations and permit fees.

Senior Millage - is used to account for an ad valorem special property tax millage and the distribution to various funds and agencies that provide programs for seniors.

The remaining special revenue funds are the Juvenile Grant, Community Grants, Thumb Narcotics Unit, Police Service Contracts, Law Enforcement Program, Lapeer Area Youth Coordinator, Multi Purpose Collaborative Body, 4-H Programs and K.I.N.D. Funds. These funds are utilized to maintain various programs and activities financed primarily primarily with federal and state grants.

DEBT SERVICE FUND

The Debt Service Fund of the County is used to account for the accumulation of resources for, and the payment of, principal, interest and related costs on long-term debt of the governmental funds. The Debt Service Fund of the County is as follows:

Lapeer Mental Health - is used to account for the accumulation of rents paid by the Community Mental Health Department for payment of the Building Authority bond issue sold to defray the cost of construction of the Community Mental Health Building.

CAPITAL PROJECTS FUNDS

Capital Projects Funds of the County are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds). The Capital Projects Funds of the County are as follows:

Jail - is used to account for the construction of the new jail facility.

Capital Construction & Improvement - is used to account for the construction costs associated with the development and furnishing of the County Complex.

Old Courthouse - is used to account for local and other revenue sources provided to fund the ongoing renovation project of the Historic County Courthouse.

MCF - is used to account for the construction of an expansion project at the Lapeer County Medical Care Facility.

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue Funds				
	Parks Department	Polly Ann Trail	Friend of the Court	Family Marriage Counseling	Personal Care Aide Program
ASSETS					
Cash and cash equivalents	\$ 250	\$ 142	\$ -	\$ 17,379	\$ -
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	-	-	221,428	-	6,513
Local	-	-	-	-	-
Due from other funds	35,000	-	-	-	-
Advances to component units	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due Total Assets	<u>\$ 35,250</u>	<u>\$ 142</u>	<u>\$ 221,428</u>	<u>\$ 17,379</u>	<u>\$ 6,513</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 1,812	\$ -	\$ 8,490	\$ -	\$ 1,040
Accrued liabilities	8,636	-	29,457	-	3,147
Due to other governmental units -					
Federal/State	-	-	2,352	-	-
Local	-	-	-	-	-
Due to other funds	920	-	3,207	-	177
Interfund payables	19,836	-	68,120	-	2,117
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>31,204</u>	<u>-</u>	<u>111,626</u>	<u>-</u>	<u>6,481</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	4,046	142	109,802	17,379	32
Total Fund Balance	<u>4,046</u>	<u>142</u>	<u>109,802</u>	<u>17,379</u>	<u>32</u>
Total Liabilities and Fund Balance	<u>\$ 35,250</u>	<u>\$ 142</u>	<u>\$ 221,428</u>	<u>\$ 17,379</u>	<u>\$ 6,513</u>

Special Revenue Funds

Animal Control	Emergency Disaster	County Surveyor	Register of Deeds Automation	Budget Stabilization	Rental Property	Emergency Management
\$ 33,411	\$ 34,296	\$ -	\$ 219,362	\$ 606,196	\$ 5,567	\$ -
-	-	-	-	1,271,351	-	-
-	-	-	-	-	-	-
-	-	-	-	13,433	-	-
-	-	62,481	-	-	-	340,005
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	216,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 33,411</u>	<u>\$ 34,296</u>	<u>\$ 62,481</u>	<u>\$ 219,362</u>	<u>\$ 2,106,980</u>	<u>\$ 5,567</u>	<u>\$ 340,005</u>
\$ 1,279	\$ -	\$ -	\$ 467	\$ -	\$ 5,141	\$ 119,215
7,489	-	-	-	-	-	1,731
-	-	-	-	-	-	-
-	-	-	-	-	-	-
806	-	-	-	79,705	-	208
-	-	62,481	-	-	-	195,378
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,574</u>	<u>-</u>	<u>62,481</u>	<u>467</u>	<u>79,705</u>	<u>5,141</u>	<u>316,532</u>
-	-	-	-	-	-	-
23,837	34,296	-	218,895	2,027,275	426	23,473
<u>23,837</u>	<u>34,296</u>	<u>-</u>	<u>218,895</u>	<u>2,027,275</u>	<u>426</u>	<u>23,473</u>
<u>\$ 33,411</u>	<u>\$ 34,296</u>	<u>\$ 62,481</u>	<u>\$ 219,362</u>	<u>\$ 2,106,980</u>	<u>\$ 5,567</u>	<u>\$ 340,005</u>

Continued

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue Funds				
	Community Grant	Thumb Narcotics Unit	Police Service Contracts	Law Enforcement Program	Policing Contracts
ASSETS					
Cash and cash equivalents	\$ -	\$ 129,518	\$ 112,776	\$ 69,947	\$ 9,518
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	66,759	22,949	-	21,116	-
Local	-	-	10,521	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	<u>\$ 66,759</u>	<u>\$ 152,467</u>	<u>\$ 123,297</u>	<u>\$ 91,063</u>	<u>\$ 9,518</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 15,593	\$ 37,280	\$ -	\$ 3,024	\$ -
Accrued liabilities	2,616	-	33,218	77	-
Due to other governmental units -					
Federal/State	-	-	-	48	-
Local	-	-	1,077	-	-
Due to other funds	270	-	4,227	10	-
Interfund payables	48,280	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>66,759</u>	<u>37,280</u>	<u>38,522</u>	<u>3,159</u>	<u>-</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	-	115,187	84,775	87,904	9,518
Total Fund Balance	<u>-</u>	<u>115,187</u>	<u>84,775</u>	<u>87,904</u>	<u>9,518</u>
Total Liabilities and Fund Balance	<u>\$ 66,759</u>	<u>\$ 152,467</u>	<u>\$ 123,297</u>	<u>\$ 91,063</u>	<u>\$ 9,518</u>

Special Revenue Funds

<u>Law Enforcement</u>	<u>Law Enforcement Other</u>	<u>Juvenile Grant</u>	<u>Law Library</u>	<u>Community Development</u>	<u>Senior Millage</u>	<u>D.O.S.A.</u>
\$ 47,082	\$ 67,193	\$ 34,727	\$ 11,770	\$ -	\$ 350,520	\$ 3,288
-	-	-	-	-	-	-
-	-	-	-	-	620,768	-
-	-	-	-	-	-	-
68,044	-	194	-	63,138	-	25,944
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,469
<u>\$ 115,126</u>	<u>\$ 67,193</u>	<u>\$ 34,921</u>	<u>\$ 11,770</u>	<u>\$ 63,138</u>	<u>\$ 971,288</u>	<u>\$ 31,701</u>
\$ 24,487	\$ 190	\$ -	\$ 365	\$ 103	\$ 350	\$ 18,165
6,158	-	-	-	3,797	-	4,090
-	-	-	-	-	-	-
-	-	-	-	-	-	-
701	-	-	-	455	-	448
-	-	-	-	5,716	-	-
-	-	-	-	-	-	-
-	-	-	-	-	683,210	-
<u>31,346</u>	<u>190</u>	<u>-</u>	<u>365</u>	<u>10,071</u>	<u>683,560</u>	<u>22,703</u>
-	-	-	-	-	-	2,469
<u>83,780</u>	<u>67,003</u>	<u>34,921</u>	<u>11,405</u>	<u>53,067</u>	<u>287,728</u>	<u>6,529</u>
<u>83,780</u>	<u>67,003</u>	<u>34,921</u>	<u>11,405</u>	<u>53,067</u>	<u>287,728</u>	<u>8,998</u>
<u>\$ 115,126</u>	<u>\$ 67,193</u>	<u>\$ 34,921</u>	<u>\$ 11,770</u>	<u>\$ 63,138</u>	<u>\$ 971,288</u>	<u>\$ 31,701</u>

Continued

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2005

	Special Revenue Funds				
	Lapeer Area Youth Coordinator	4-H Programs	Department Of Human Services	Child Care	Veterans' Trust
ASSETS					
Cash and cash equivalents	\$ 740	\$ -	\$ 38,756	\$ -	\$ 99
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	2,623	1,479	31,526	88,626	-
Local	-	-	-	-	-
Due from other funds	-	-	16,820	-	-
Due from component units	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	<u>\$ 3,363</u>	<u>\$ 1,479</u>	<u>\$ 87,102</u>	<u>\$ 88,626</u>	<u>\$ 99</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	1,152	864	-	2,031	-
Due to other governmental units -					
Federal/State	-	-	36,000	25,827	-
Local	-	-	-	-	-
Due to other funds	22	17	-	256	-
Interfund payables	-	563	-	57,733	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	29,870	-	-
Total Liabilities	<u>1,174</u>	<u>1,444</u>	<u>65,870</u>	<u>85,847</u>	<u>-</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	2,189	35	21,232	2,779	99
Total Fund Balance	<u>2,189</u>	<u>35</u>	<u>21,232</u>	<u>2,779</u>	<u>99</u>
Total Liabilities and Fund Balance	<u>\$ 3,363</u>	<u>\$ 1,479</u>	<u>\$ 87,102</u>	<u>\$ 88,626</u>	<u>\$ 99</u>

K.I.N.D.	Special Revenue Funds		Debt Service Fund	Capital Project Funds			Total
	Multi Purpose Collaborative Body	Environmental/ Recycling	Lapeer Mental Health	Jail	Capital Construction & Improvement	Old Courthouse	
\$ 77	\$ 50	\$ 217	\$ 212,697	\$ 147,505	\$ 367,317	\$ 32,446	\$ 2,552,846
-	-	-	-	-	-	-	1,271,351
-	-	-	-	-	-	-	620,768
-	-	-	-	-	-	-	13,433
-	69,532	2,948	-	-	-	-	1,095,305
-	-	-	-	-	-	-	10,521
-	-	-	-	-	-	1,500	53,320
-	-	-	-	-	-	-	216,000
-	-	-	-	482,053	-	-	482,053
-	-	-	-	-	-	-	2,469
<u>\$ 77</u>	<u>\$ 69,582</u>	<u>\$ 3,165</u>	<u>\$ 212,697</u>	<u>\$ 629,558</u>	<u>\$ 367,317</u>	<u>\$ 33,946</u>	<u>\$ 6,318,066</u>
\$ -	\$ 2,930	\$ -	\$ -	\$ -	\$ 42,612	\$ 33,804	\$ 316,347
-	4,495	-	-	-	-	-	108,958
-	-	-	-	-	-	-	64,227
-	-	-	-	-	-	-	1,077
-	538	-	-	-	15,835	-	107,802
-	21,829	-	-	-	-	-	482,053
-	7,500	-	-	-	-	-	7,500
-	-	-	31,941	-	-	-	745,021
-	37,292	-	31,941	-	58,447	33,804	1,832,985
-	-	-	-	-	-	-	2,469
77	32,290	3,165	180,756	629,558	308,870	142	4,482,612
77	32,290	3,165	180,756	629,558	308,870	142	4,485,081
<u>\$ 77</u>	<u>\$ 69,582</u>	<u>\$ 3,165</u>	<u>\$ 212,697</u>	<u>\$ 629,558</u>	<u>\$ 367,317</u>	<u>\$ 33,946</u>	<u>\$ 6,318,066</u>

Concluded

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Parks Department	Polly Ann Trail	Friend of the Court	Family Marriage Counseling	Personal Care Aide Program
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	8,630	-
Intergovernmental -					
Federal/State	-	8,264	836,091	-	94,160
Local	-	-	-	-	-
Charges for services	215,350	-	111,979	-	-
Fines and forfeits	-	-	-	-	-
Rents and royalties	5,600	-	-	-	-
Interest	-	-	-	-	-
Other	2,476	-	20	-	7,848
Total Revenues	<u>223,426</u>	<u>8,264</u>	<u>948,090</u>	<u>8,630</u>	<u>102,008</u>
Expenditures:					
Current -					
Judicial	-	-	1,175,764	5,681	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	184,540
Recreation and Cultural	491,950	8,376	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>491,950</u>	<u>8,376</u>	<u>1,175,764</u>	<u>5,681</u>	<u>184,540</u>
Excess of revenues over (under) expenditures	<u>(268,524)</u>	<u>(112)</u>	<u>(227,674)</u>	<u>2,949</u>	<u>(82,532)</u>
Other Financing Sources (Uses):					
Transfers In	270,000	-	269,475	-	82,564
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	<u>270,000</u>	<u>-</u>	<u>269,475</u>	<u>-</u>	<u>82,564</u>
Net change in Fund Balances	1,476	(112)	41,801	2,949	32
Fund Balances at beginning of year	<u>2,570</u>	<u>254</u>	<u>68,001</u>	<u>14,430</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 4,046</u>	<u>\$ 142</u>	<u>\$ 109,802</u>	<u>\$ 17,379</u>	<u>\$ 32</u>

Special Revenue Funds

Animal Control	Emergency Disaster	County Surveyor	Register of Deeds Automation	Budget Stabilization	Rental Property	Emergency Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
227,344	-	-	-	-	-	-
-	-	104,139	-	-	-	820,020
-	-	-	-	-	-	-
54,785	-	3,500	134,185	-	-	-
11,795	-	-	-	-	-	-
-	-	-	-	-	73,324	-
-	-	-	4,679	26,261	-	-
3,937	-	-	-	-	-	-
<u>297,861</u>	<u>-</u>	<u>107,639</u>	<u>138,864</u>	<u>26,261</u>	<u>73,324</u>	<u>820,020</u>
-	-	-	-	-	-	-
-	-	107,639	52,878	-	85,009	-
321,710	-	-	-	-	-	832,794
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>321,710</u>	<u>-</u>	<u>107,639</u>	<u>52,878</u>	<u>-</u>	<u>85,009</u>	<u>832,794</u>
(23,849)	-	-	85,986	26,261	(11,685)	(12,774)
47,439	-	-	-	25,000	-	44,898
-	-	-	-	-	-	(30,407)
<u>47,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>14,491</u>
23,590	-	-	85,986	51,261	(11,685)	1,717
<u>247</u>	<u>34,296</u>	<u>-</u>	<u>132,909</u>	<u>1,976,014</u>	<u>12,111</u>	<u>21,756</u>
<u>\$ 23,837</u>	<u>\$ 34,296</u>	<u>\$ -</u>	<u>\$ 218,895</u>	<u>\$ 2,027,275</u>	<u>\$ 426</u>	<u>\$ 23,473</u>

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Community Grants	Thumb Narcotics Unit	Police Service Contracts	Law Enforcement Programs	Policing Contracts
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	347,577	162,851	-	42,908	-
Local	-	-	-	-	-
Charges for services	73,013	-	885,109	9,067	-
Fines and forfeits	-	62,974	-	-	-
Rents and royalties	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	15,128	-	25,100	-
Total Revenues	<u>420,590</u>	<u>240,953</u>	<u>885,109</u>	<u>77,075</u>	<u>-</u>
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	458,826	297,675	1,093,978	33,679	-
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>458,826</u>	<u>297,675</u>	<u>1,093,978</u>	<u>33,679</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(38,236)</u>	<u>(56,722)</u>	<u>(208,869)</u>	<u>43,396</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers In	3,561	-	259,897	5,157	-
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	<u>3,561</u>	<u>-</u>	<u>259,897</u>	<u>5,157</u>	<u>-</u>
Net change in Fund Balances	(34,675)	(56,722)	51,028	48,553	-
Fund Balances at beginning of year	<u>34,675</u>	<u>171,909</u>	<u>33,747</u>	<u>39,351</u>	<u>9,518</u>
Fund Balances at end of year	<u>\$ -</u>	<u>\$ 115,187</u>	<u>\$ 84,775</u>	<u>\$ 87,904</u>	<u>\$ 9,518</u>

Special Revenue Funds

Law Enforcement	Law Enforcement Other	Juvenile Grant	Law Library	Community Development	Senior Millage	D.O.S.A.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,707	\$ -
-	-	-	-	97,105	-	-
181,736	-	6,927	-	130,604	-	287,147
200	-	-	-	-	-	48,664
12,448	-	-	-	54,496	-	60
-	34,397	-	6,500	1,545	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,024	-	-	-	-	-	1,924
<u>203,408</u>	<u>34,397</u>	<u>6,927</u>	<u>6,500</u>	<u>283,750</u>	<u>650,707</u>	<u>337,795</u>
-	-	-	3,359	-	-	-
-	-	-	-	-	-	-
211,527	39,722	-	-	113,398	-	-
-	-	-	-	-	-	-
-	-	-	-	202,116	-	643,469
-	-	-	-	-	-	-
-	-	7,426	-	-	12,469	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>211,527</u>	<u>39,722</u>	<u>7,426</u>	<u>3,359</u>	<u>315,514</u>	<u>12,469</u>	<u>643,469</u>
(8,119)	(5,325)	(499)	3,141	(31,764)	638,238	(305,674)
7,914	-	-	4,500	-	-	306,267
-	-	-	-	-	(388,831)	-
<u>7,914</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>(388,831)</u>	<u>306,267</u>
(205)	(5,325)	(499)	7,641	(31,764)	249,407	593
<u>83,985</u>	<u>72,328</u>	<u>35,420</u>	<u>3,764</u>	<u>84,831</u>	<u>38,321</u>	<u>8,405</u>
<u>\$ 83,780</u>	<u>\$ 67,003</u>	<u>\$ 34,921</u>	<u>\$ 11,405</u>	<u>\$ 53,067</u>	<u>\$ 287,728</u>	<u>\$ 8,998</u>

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Lapeer Area Youth Coordinator	4-H Programs	Department Of Human Services	Child Care	Veterans' Trust
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	35,450	4,473	141,913	444,135	9,738
Local	-	-	-	-	-
Charges for services	-	-	-	248,160	-
Fines and forfeits	-	-	-	5,156	-
Rents and royalties	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	6,453	21,853	-	-
Total Revenues	<u>35,450</u>	<u>10,926</u>	<u>163,766</u>	<u>697,451</u>	<u>9,738</u>
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Welfare	-	-	197,961	1,083,924	9,906
Recreation and Cultural	-	12,680	-	-	-
Other	38,276	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>38,276</u>	<u>12,680</u>	<u>197,961</u>	<u>1,083,924</u>	<u>9,906</u>
Excess of revenues over (under) expenditures	<u>(2,826)</u>	<u>(1,754)</u>	<u>(34,195)</u>	<u>(386,473)</u>	<u>(168)</u>
Other Financing Sources (Uses):					
Transfers In	3,888	-	16,820	415,487	-
Transfers Out	-	-	-	(133,912)	-
Total Other Sources (Uses)	<u>3,888</u>	<u>-</u>	<u>16,820</u>	<u>281,575</u>	<u>-</u>
Net change in Fund Balances	1,062	(1,754)	(17,375)	(104,898)	(168)
Fund Balances at beginning of year	<u>1,127</u>	<u>1,789</u>	<u>38,607</u>	<u>107,677</u>	<u>267</u>
Fund Balances at end of year	<u>\$ 2,189</u>	<u>\$ 35</u>	<u>\$ 21,232</u>	<u>\$ 2,779</u>	<u>\$ 99</u>

Special Revenue Funds			Debt Service Fund	Capital Project Funds			Total
K.I.N.D.	Multi Purpose Collaborative Body	Environmental/ Recycling	Lapeer Mental Health	Jail	Capital Construction & Improvement	Old Courthouse	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,707
-	-	-	-	-	-	-	333,079
-	202,054	10,930	-	-	-	-	3,871,117
-	-	-	-	-	-	-	48,864
-	28,480	-	-	-	-	-	1,830,632
-	-	-	-	-	-	-	122,367
-	-	-	207,622	-	-	-	286,546
-	-	-	4,356	-	-	-	35,296
-	82,533	-	-	-	-	42,644	218,940
-	313,067	10,930	211,978	-	-	42,644	7,397,548
-	-	-	-	-	-	-	1,184,804
-	-	-	-	-	-	-	245,526
-	-	-	-	-	-	-	3,403,309
-	-	27,601	-	-	-	-	27,601
-	309,226	-	-	-	-	-	2,631,142
-	-	-	-	-	-	-	513,006
-	-	-	-	-	-	-	58,171
-	-	-	-	319,214	328,348	193,713	841,275
-	-	-	110,000	-	-	-	110,000
-	-	-	59,350	-	-	-	59,350
-	-	-	-	-	-	-	-
-	309,226	27,601	169,350	319,214	328,348	193,713	9,074,184
-	3,841	(16,671)	42,628	(319,214)	(328,348)	(151,069)	(1,676,636)
-	23,000	15,104	-	-	400,000	60,500	2,261,471
-	-	-	-	-	-	-	(553,150)
-	23,000	15,104	-	-	400,000	60,500	1,708,321
-	26,841	(1,567)	42,628	(319,214)	71,652	(90,569)	31,685
77	5,449	4,732	138,128	948,772	237,218	90,711	4,453,396
\$ 77	\$ 32,290	\$ 3,165	\$ 180,756	\$ 629,558	\$ 308,870	\$ 142	\$ 4,485,081

Concluded

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
PARKS DEPARTMENT			
Revenues:			
Charges for services	\$ 216,508	\$ 215,350	\$(1,158)
Rents and royalties	5,500	5,600	100
Other	757	2,476	1,719
Total Revenues	<u>222,765</u>	<u>223,426</u>	<u>661</u>
Expenditures:			
Recreation and cultural	<u>495,335</u>	<u>491,950</u>	<u>3,385</u>
Excess of revenues under expenditures	(272,570)	(268,524)	4,046
Other Financing Sources:			
Transfers in	<u>270,000</u>	<u>270,000</u>	<u>-</u>
Due to other			
Net change in fund balance	(2,570)	1,476	4,046
Fund Balance at beginning of year	<u>2,570</u>	<u>2,570</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 4,046</u></u>	<u><u>\$ 4,046</u></u>

POLLY ANN TRAIL

Revenues:			
Intergovernmental - Federal/State	\$ 16,609	\$ 8,264	\$(8,345)
Expenditures:			
Recreation and cultural	<u>16,609</u>	<u>8,376</u>	<u>8,233</u>
Excess of revenues over expenditures	-	(112)	(112)
Fund Balance at beginning of year	<u>-</u>	<u>254</u>	<u>254</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 142</u></u>	<u><u>\$ 142</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FRIEND OF THE COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 730,374	\$ 836,091	\$ 105,717
Charges for services	63,400	111,979	48,579
Other	<u>-</u>	<u>20</u>	<u>20</u>
Total Revenues	793,774	948,090	154,316
Expenditures:			
Judicial	<u>1,186,843</u>	<u>1,175,764</u>	<u>11,079</u>
Excess of revenues under expenditures	(393,069)	(227,674)	165,395
Other Financing Sources (Uses):			
Transfers in	<u>393,069</u>	<u>269,475</u>	<u>(123,594)</u>
Net change in Fund Balance	-	41,801	41,801
Fund Balance at beginning of year	<u>-</u>	<u>68,001</u>	<u>68,001</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 109,802</u></u>	<u><u>\$ 109,802</u></u>

FAMILY MARRIAGE COUNSELING

Revenues:			
Licenses and permits	\$ 9,500	\$ 8,630	\$(870)
Expenditures:			
Judicial	<u>9,500</u>	<u>5,681</u>	<u>3,819</u>
Excess of revenues over expenditures	-	2,949	2,949
Fund Balance at beginning of year	<u>-</u>	<u>14,430</u>	<u>14,430</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 17,379</u></u>	<u><u>\$ 17,379</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PERSONAL CARE AIDE PROGRAM			
Revenues:			
Intergovernmental -			
Federal/State	\$ 93,058	\$ 94,160	\$ 1,102
Other	<u>10,035</u>	<u>7,848</u>	<u>(2,187)</u>
Total Revenues	<u>103,093</u>	<u>102,008</u>	<u>(1,085)</u>
Expenditures:			
Health and welfare	<u>185,657</u>	<u>184,540</u>	<u>1,117</u>
Excess of revenues under expenditures	<u>(82,564)</u>	<u>(82,532)</u>	<u>32</u>
Other Financing Sources:			
Transfers in	<u>82,564</u>	<u>82,564</u>	<u>-</u>
Net change in Fund Balance	-	32	32
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ 32</u></u>

ANIMAL CONTROL

Revenues:			
Licenses and permits	\$ 206,968	\$ 227,344	\$ 20,376
Intergovernmental -			
Federal/State	-	-	-
Charges for services	55,100	54,785	(315)
Fines and forfeits	22,000	11,795	(10,205)
Other	<u>2,250</u>	<u>3,937</u>	<u>1,687</u>
Total Revenues	<u>286,318</u>	<u>297,861</u>	<u>11,543</u>
Expenditures:			
Public safety	<u>333,757</u>	<u>321,710</u>	<u>12,047</u>
Excess of revenues under expenditures	<u>(47,439)</u>	<u>(23,849)</u>	<u>23,590</u>
Other Financing Sources:			
Transfers in	<u>47,439</u>	<u>47,439</u>	<u>-</u>
Net change in Fund Balance	-	23,590	23,590
Fund Balance at beginning of year	<u>-</u>	<u>247</u>	<u>247</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 23,837</u></u>	<u><u>\$ 23,837</u></u>

EMERGENCY DISASTER

Fund Balance at beginning of year	<u>\$ -</u>	<u>\$ 34,296</u>	<u>\$ 34,296</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 34,296</u></u>	<u><u>\$ 34,296</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COUNTY SURVEYOR			
Revenues:			
Intergovernmental -			
Federal/State	\$ 104,145	\$ 104,139	\$(6)
Charges for services	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Revenues	<u>107,645</u>	<u>107,639</u>	<u>(6)</u>
Expenditures:			
General Government	<u>107,645</u>	<u>107,639</u>	<u>6</u>
Excess of revenues under expenditures	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

REGISTER OF DEEDS AUTOMATION

Revenues:			
Charges for services	\$ 202,725	\$ 134,185	\$(68,540)
Interest	<u>275</u>	<u>4,679</u>	<u>4,404</u>
Total Revenues	<u>203,000</u>	<u>138,864</u>	<u>(64,136)</u>
Expenditures:			
General Government	<u>203,000</u>	<u>52,878</u>	<u>150,122</u>
Excess of revenues over expenditures	-	85,986	85,986
Fund Balance at beginning of year	<u>-</u>	<u>132,909</u>	<u>132,909</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 218,895</u></u>	<u><u>\$ 218,895</u></u>

BUDGET STABILIZATION

Revenues:			
Interest	\$ -	\$ 26,261	\$ 26,261
Expenditures:			
General Government	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Excess of revenues over expenditures	(200,000)	26,261	226,261
Other Financing Sources:			
Transfer In	<u>200,000</u>	<u>25,000</u>	<u>175,000</u>
Net change in Fund Balance	-	51,261	401,261
Fund Balance at beginning of year	<u>-</u>	<u>1,976,014</u>	<u>1,976,014</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,027,275</u></u>	<u><u>\$ 2,027,275</u></u>

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
RENTAL PROPERTY			
Revenues:			
Rents and royalties	\$ 75,656	\$ 73,324	\$(2,332)
Expenditures:			
General Government	<u>75,656</u>	<u>85,009</u>	<u>(9,353)</u>
Excess of revenues under expenditures	-	(11,685)	(11,685)
Fund Balance at beginning of year	<u>-</u>	<u>12,111</u>	<u>12,111</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 426</u></u>	<u><u>\$ 426</u></u>
EMERGENCY MANAGEMENT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 107,193	\$ 820,020	\$ 712,827
Charges for services	<u>-</u>	<u>-</u>	<u>-</u>
	107,193	820,020	712,827
Expenditures:			
Public safety	<u>152,091</u>	<u>832,794</u>	<u>(680,703)</u>
Excess of revenues under expenditures	(44,898)	(12,774)	32,124
Other Financing Sources:			
Transfers in	44,898	44,898	-
Transfers to component unit	<u>-</u>	<u>(30,407)</u>	<u>(30,407)</u>
Total Other Sources (Uses)	<u>44,898</u>	<u>14,491</u>	<u>(30,407)</u>
Net change in Fund Balance	-	1,717	1,717
Fund Balance at beginning of year	<u>-</u>	<u>21,756</u>	<u>21,756</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 23,473</u></u>	<u><u>\$ 23,473</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMMUNITY GRANTS			
Revenues:			
Intergovernmental -			
Federal/State	\$ 375,370	\$ 347,577	\$(27,793)
Charges for services	<u>91,563</u>	<u>73,013</u>	<u>(18,550)</u>
Total Revenues	466,933	420,590	(46,343)
Expenditures:			
Public safety	<u>534,721</u>	<u>458,826</u>	<u>75,895</u>
Excess of revenues under expenditures	(67,788)	(38,236)	29,552
Other Financing Sources:			
Transfers in	<u>-</u>	<u>3,561</u>	<u>3,561</u>
Net change in Fund Balance	(67,788)	(34,675)	33,113
Fund Balance at beginning of year	<u>67,788</u>	<u>34,675</u>	<u>(33,113)</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THUMB NARCOTICS UNIT

Revenues:			
Intergovernmental -			
Federal/State	\$ 158,305	\$ 162,851	\$ 4,546
Fines and forfeitures	12,500	62,974	50,474
Other	<u>23,500</u>	<u>15,128</u>	<u>(8,372)</u>
Total Revenues	194,305	240,953	46,648
Expenditures:			
Public safety	<u>194,305</u>	<u>297,675</u>	<u>(103,370)</u>
Excess of revenues over expenditures	-	(56,722)	(56,722)
Fund Balance at beginning of year	<u>-</u>	<u>171,909</u>	<u>171,909</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 115,187</u></u>	<u><u>\$ 115,187</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
POLICE SERVICE CONTRACTS			
Revenues:			
Charges for services	\$ 838,490	\$ 885,109	\$ 46,619
Expenditures:			
Public safety	<u>1,097,668</u>	<u>1,093,978</u>	<u>3,690</u>
Excess of revenues under expenditures	(259,178)	(208,869)	50,309
Other Financing Sources:			
Transfers in	<u>259,178</u>	<u>259,897</u>	<u>719</u>
Net change in Fund Balance	-	51,028	51,028
Fund Balance at beginning of year	<u>-</u>	<u>33,747</u>	<u>33,747</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 84,775</u></u>	<u><u>\$ 84,775</u></u>

LAW ENFORCEMENT PROGRAMS

Revenues:			
Intergovernmental -			
Federal/State	\$ 26,557	\$ 42,908	\$ 16,351
Charges for services	-	9,067	9,067
Other	<u>1,300</u>	<u>25,100</u>	<u>23,800</u>
Total Revenues	<u>27,857</u>	<u>77,075</u>	<u>49,218</u>
Expenditures:			
Public safety	<u>53,084</u>	<u>33,679</u>	<u>19,405</u>
Excess of revenues under expenditures	(25,227)	43,396	68,623
Other Financing Sources:			
Transfers in	<u>5,157</u>	<u>5,157</u>	<u>-</u>
Net change in Fund Balance	(20,070)	48,553	68,623
Fund Balance at beginning of year	<u>20,070</u>	<u>39,351</u>	<u>19,281</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 87,904</u></u>	<u><u>\$ 87,904</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
POLICING CONTRACTS			
Fund Balance at beginning of year	\$ -	\$ 9,518	\$ 9,518
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 9,518</u>	<u>\$ 9,518</u>

LAW ENFORCEMENT

Revenues:

Intergovernmental -			
Federal/State	\$ 187,208	\$ 181,736	\$(5,472)
Local	3,000	200	(2,800)
Charges for services	24,000	12,448	(11,552)
Other	<u>13,668</u>	<u>9,024</u>	<u>(4,644)</u>
Total Revenues	227,876	203,408	(24,468)

Expenditures:

Public safety	<u>239,116</u>	<u>211,527</u>	<u>27,589</u>
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Excess of revenues over (under) expenditures	(11,240)	(8,119)	3,121
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Other Financing Sources:

Transfers in	<u>11,240</u>	<u>7,914</u>	<u>(3,326)</u>
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Net change in Fund Balance	-	(205)	(205)
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Fund Balance at beginning of year	<u>-</u>	<u>83,985</u>	<u>83,985</u>
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Fund Balance at end of year	<u>\$ -</u>	<u>\$ 83,780</u>	<u>\$ 83,780</u>
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LAW ENFORCEMENT - OTHER

Revenues:

Fines and forfeits	\$ 9,099	\$ 34,397	\$ 25,298
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Expenditures:

Public safety	<u>40,734</u>	<u>39,722</u>	<u>1,012</u>
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Excess of revenues under expenditures	(31,635)	(5,325)	26,310
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Fund Balance at beginning of year	<u>31,635</u>	<u>72,328</u>	<u>40,693</u>
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Fund Balance at end of year	<u>\$ -</u>	<u>\$ 67,003</u>	<u>\$ 67,003</u>
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Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
JUVENILE GRANT			
Revenues:			
Intergovernmental - Federal/State	\$ 10,024	\$ 6,927	\$(3,097)
Expenditures:			
Other	10,024	7,426	2,598
Excess of revenues under expenditures	-	(499)	(499)
Fund Balance at beginning of year	-	35,420	35,420
Fund Balance at end of year	\$ -	\$ 34,921	\$ 34,921

LAW LIBRARY

Revenues:			
Fines and forfeits	\$ 6,500	\$ 6,500	\$ -
Expenditures:			
Judicial	11,000	3,359	7,641
Excess of revenues under expenditures	(4,500)	3,141	7,641
Other Financing Sources:			
Transfers in	4,500	4,500	-
Net change in Fund Balance	-	7,641	7,641
Fund Balance at beginning of year	-	3,764	3,764
Fund Balance at end of year	\$ -	\$ 11,405	\$ 11,405

Continued

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMMUNITY DEVELOPMENT			
Revenues:			
Licenses and permits	\$ 73,000	\$ 97,105	\$ 24,105
Intergovernmental -			
Federal/State	225,000	130,604	(94,396)
Charges for services	43,460	54,496	11,036
Fines and forfeits	-	1,545	1,545
Total Revenues	<u>341,460</u>	<u>283,750</u>	<u>(57,710)</u>
Expenditures:			
Public Safety	115,338	113,398	1,940
Health and welfare	268,460	202,116	66,344
Total Expenditures	<u>383,798</u>	<u>315,514</u>	<u>68,284</u>
Excess of revenues over (under) expenditures	(42,338)	(31,764)	10,574
Fund Balance at beginning of year	<u>42,338</u>	<u>84,831</u>	<u>42,493</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 53,067</u></u>	<u><u>\$ 53,067</u></u>

SENIOR MILLAGE

Revenues:			
Taxes	\$ 647,000	\$ 650,707	\$ 3,707
Expenditures:			
Other	<u>194,821</u>	<u>12,469</u>	<u>182,352</u>
Excess of revenues over expenditures	452,179	638,238	186,059
Other Financing Uses:			
Transfers out	<u>(452,179)</u>	<u>(388,831)</u>	<u>63,348</u>
Net change in Fund Balance	-	249,407	249,407
Fund Balance at beginning of year	<u>-</u>	<u>38,321</u>	<u>38,321</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 287,728</u></u>	<u><u>\$ 287,728</u></u>

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
D.O.S.A.			
Revenues:			
Taxes	\$ 2,000	\$ -	\$(2,000)
Intergovernmental -			
Federal/State	259,519	287,147	27,628
Local	58,705	48,664	(10,041)
Charges for services	-	60	60
Other	14,150	1,924	(12,226)
Total Revenues	<u>334,374</u>	<u>337,795</u>	<u>3,421</u>
Expenditures:			
Health and welfare	<u>703,989</u>	<u>643,469</u>	<u>60,520</u>
Excess of revenues under expenditures	(369,615)	(305,674)	63,941
Other Financing Sources:			
Transfers in	<u>369,615</u>	<u>306,267</u>	(63,348)
Net change in Fund Balance	-	593	593
Fund Balance at beginning of year	<u>-</u>	<u>8,405</u>	<u>8,405</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 8,998</u></u>	<u><u>\$ 8,998</u></u>

LAPEER AREA YOUTH COORDINATOR

Revenues:			
Intergovernmental -			
Federal/State	\$ 29,374	\$ 35,450	\$ 6,076
Expenditures:			
Other	<u>33,262</u>	<u>38,276</u>	(5,014)
Excess of revenues under expenditures	(3,888)	(2,826)	1,062
Other Financing Sources:			
Transfers in	<u>3,888</u>	<u>3,888</u>	-
Net change in Fund Balance	-	1,062	1,062
Fund Balance at beginning of year	<u>-</u>	<u>1,127</u>	<u>1,127</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,189</u></u>	<u><u>\$ 2,189</u></u>

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
4-H PROGRAMS			
Revenues:			
Intergovernmental -			
Federal/State	\$ 5,211	\$ 4,473	\$(738)
Other	10,188	6,453	(3,735)
Total Revenues	<u>15,399</u>	<u>10,926</u>	<u>(4,473)</u>
Expenditures:			
Recreation and cultural	<u>15,399</u>	<u>12,680</u>	<u>2,719</u>
Excess of revenues under expenditures	-	(1,754)	(1,754)
Fund Balance at beginning of year	<u>-</u>	<u>1,789</u>	<u>1,789</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 35</u></u>

DEPARTMENT OF HUMAN SERVICES

Revenues:			
Intergovernmental -			
Federal/State	\$ 59,550	\$ 141,913	\$ 82,363
Other	-	21,853	21,853
Total Revenues	<u>59,550</u>	<u>163,766</u>	<u>104,216</u>
Expenditures:			
Health and welfare	<u>59,550</u>	<u>197,961</u>	<u>(138,411)</u>
Excess of revenues under expenditures	-	(34,195)	(34,195)
Other Financing Sources:			
Transfers in	<u>-</u>	<u>16,820</u>	<u>16,820</u>
Net change in Fund Balance	-	(17,375)	(17,375)
Fund Balance at beginning of year	<u>-</u>	<u>38,607</u>	<u>38,607</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 21,232</u></u>	<u><u>\$ 21,232</u></u>

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 639,803	\$ 444,135	\$(195,668)
Charges for services	267,995	248,160	(19,835)
Fines and forfeits	9,000	5,156	(3,844)
Total Revenues	<u>916,798</u>	<u>697,451</u>	<u>(219,347)</u>
Expenditures:			
Health and welfare	<u>1,750,470</u>	<u>1,083,924</u>	<u>666,546</u>
Excess of revenues under expenditures	(833,672)	(386,473)	447,199
Other Financing Sources:			
Transfers in	771,952	415,487	(356,465)
Transfers out	<u>-</u>	<u>(133,912)</u>	<u>(133,912)</u>
	<u>771,952</u>	<u>281,575</u>	<u>(490,377)</u>
Net change in Fund Balance	(61,720)	(104,898)	(43,178)
Fund Balance at beginning of year	<u>61,720</u>	<u>107,677</u>	<u>45,957</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,779</u></u>	<u><u>\$ 2,779</u></u>

VETERANS' TRUST

Revenues:			
Intergovernmental -			
Federal/State	\$ 4,364	\$ 9,738	\$ 5,374
Expenditures:			
Health and welfare	<u>4,364</u>	<u>9,906</u>	<u>(5,542)</u>
Excess of revenues under expenditures	-	(168)	(168)
Fund Balance at beginning of year	<u>267</u>	<u>267</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 267</u></u>	<u><u>\$ 99</u></u>	<u><u>\$(168)</u></u>

K.I.N.D.

Fund Balance at beginning of year	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ 77</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 77</u></u>	<u><u>\$ 77</u></u>

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance Positive (Negative)
MULTI PURPOSE COLLABORATIVE BODY			
Revenues:			
Intergovernmental -			
Federal/State	\$ 192,480	\$ 202,054	\$ 9,574
Charges for services	38,924	28,480	(10,444)
Other	84,728	82,533	(2,195)
Total Revenues	<u>316,132</u>	<u>313,067</u>	<u>(3,065)</u>
Expenditures:			
Health and welfare	<u>336,632</u>	<u>309,226</u>	<u>27,406</u>
Excess of revenues under expenditures	(20,500)	3,841	24,341
Other Financing Sources:			
Transfers in	<u>20,500</u>	<u>23,000</u>	<u>2,500</u>
Net change in Fund Balance	-	26,841	26,841
Fund Balance at beginning of year	<u>-</u>	<u>5,449</u>	<u>5,449</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 32,290</u></u>	<u><u>\$ 32,290</u></u>

ENVIRONMENTAL/RECYCLING

Revenues:			
Intergovernmental -			
Federal/State	<u>\$ 20,000</u>	<u>\$ 10,930</u>	<u>\$(9,070)</u>
Expenditures:			
Public works	<u>34,595</u>	<u>27,601</u>	<u>6,994</u>
Excess of revenues under expenditures	(14,595)	(16,671)	(2,076)
Other Financing Sources:			
Transfers in	<u>11,000</u>	<u>15,104</u>	<u>4,104</u>
Net change in Fund Balance	(3,595)	(1,567)	2,028
Fund Balance at beginning of year	<u>3,595</u>	<u>4,732</u>	<u>1,137</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 3,165</u></u>	<u><u>\$ 3,165</u></u>

Concluded

INTERNAL SERVICE FUNDS

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2005**

ASSETS	<u>Health Insurance</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Centralized Purchasing</u>
Current Assets:				
Cash and cash equivalents	238,462	\$ 179,983	\$ 1,108,505	\$ 10,009
Cash on deposit with agent	-	-	6,000	-
Receivables -				
Accrued interest and other	-	6	60	-
Due from other funds	-	441	8,843	-
Interfund receivables	-	-	-	-
Prepaid expenses	337,769	-	-	-
Total Current Assets	<u>576,231</u>	<u>180,430</u>	<u>1,123,408</u>	<u>10,009</u>
Noncurrent Assets:				
Property, Plant, and Equipment net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 576,231</u></u>	<u><u>\$ 180,430</u></u>	<u><u>\$ 1,123,408</u></u>	<u><u>\$ 10,009</u></u>
 LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ 969	\$ -
Current portion of claims liabilities	-	-	12,300	-
Deferred revenue	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>13,269</u>	<u>-</u>
Long-Term Liabilities:				
Accrued claims liabilities	-	-	36,700	-
Advances from other funds	-	-	-	4,000
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>36,700</u>	<u>4,000</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>49,969</u>	<u>4,000</u>
Net Assets				
Invested in Capital Assets, net of related liabilities	-	-	-	-
Unrestricted	576,231	180,430	1,073,439	6,009
Total Net Assets	<u>576,231</u>	<u>180,430</u>	<u>1,073,439</u>	<u>6,009</u>
Total Liabilities and Net Assets	<u><u>\$ 576,231</u></u>	<u><u>\$ 180,430</u></u>	<u><u>\$ 1,123,408</u></u>	<u><u>\$ 10,009</u></u>

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
\$ 31,526	\$ 341,289	\$ 1,909,774
-	-	6,000
-	-	66
-	15,835	25,119
-	-	-
-	-	337,769
<u>31,526</u>	<u>357,124</u>	<u>2,278,728</u>
<u>493,288</u>	<u>2,672,301</u>	<u>3,165,589</u>
<u>\$ 524,814</u>	<u>\$ 3,029,425</u>	<u>\$ 5,444,317</u>

\$ 9,083	\$ 5,900	\$ 15,952
-	-	12,300
-	215,893	215,893
<u>9,083</u>	<u>221,793</u>	<u>244,145</u>
-	-	36,700
-	104,000	108,000
-	104,000	144,700
<u>9,083</u>	<u>325,793</u>	<u>388,845</u>
493,288	2,672,301	3,165,589
22,443	31,331	1,889,883
<u>515,731</u>	<u>2,703,632</u>	<u>5,055,472</u>
<u>\$ 524,814</u>	<u>\$ 3,029,425</u>	<u>\$ 5,444,317</u>

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Health Insurance</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Centralized Purchasing</u>
Operating Revenues:				
Charges for services	\$ 2,811,762	\$ 14,891	\$ 316,027	\$ -
Operating Expenses:				
Administrative and operating	-	-	-	-
Insurance and claims	3,068,384	23,223	20,807	-
Depreciation	-	-	-	-
Total Operating Expenses	<u>3,068,384</u>	<u>23,223</u>	<u>20,807</u>	<u>-</u>
Operating Gain (Loss)	<u>(256,622)</u>	<u>(8,332)</u>	<u>295,220</u>	<u>-</u>
Transfers:				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(256,622)	(8,332)	295,220	-
Net Assets at beginning of year	<u>832,853</u>	<u>188,762</u>	<u>778,219</u>	<u>6,009</u>
Net Assets at end of year	<u><u>\$ 576,231</u></u>	<u><u>\$ 180,430</u></u>	<u><u>\$ 1,073,439</u></u>	<u><u>\$ 6,009</u></u>

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
<u>\$ 55,021</u>	<u>\$ 337,337</u>	<u>\$ 3,535,038</u>
35,174	333,871	369,045
-	-	3,112,414
<u>43,093</u>	<u>401,962</u>	<u>445,055</u>
<u>78,267</u>	<u>735,833</u>	<u>3,926,514</u>
<u>(23,246)</u>	<u>(398,496)</u>	<u>(391,476)</u>
82,838	187,500	270,338
<u>-</u>	<u>(82,838)</u>	<u>(82,838)</u>
<u>82,838</u>	<u>104,662</u>	<u>187,500</u>
59,592	(293,834)	(203,976)
<u>456,139</u>	<u>2,997,466</u>	<u>5,259,448</u>
<u>\$ 515,731</u>	<u>\$ 2,703,632</u>	<u>\$ 5,055,472</u>

LAPEER COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Health Insurance</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Centralized Purchasing</u>
Cash Flows From Operating Activities:				
Receipts for services	\$ 2,811,762	\$ 14,891	\$ 316,027	\$ -
Payments to suppliers	(3,111,885)	(23,223)	(64,306)	-
Other cash receipts (payments)	-	81	1,625	-
Net Cash Used By Operating Activities	<u>(300,123)</u>	<u>(8,251)</u>	<u>253,346</u>	<u>-</u>
Cash Flows From Noncapital Financing Activities:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Cash Provided (Used) By Non-capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and disposal of fixed assets	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(300,123)	(8,251)	253,346	-
Cash and Cash Equivalents at beginning of year	<u>538,585</u>	<u>188,234</u>	<u>861,159</u>	<u>10,009</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 238,462</u></u>	<u><u>\$ 179,983</u></u>	<u><u>\$ 1,114,505</u></u>	<u><u>\$ 10,009</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss	\$(256,622)	\$(8,332)	\$ 295,220	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	-	-	-	-
Change in assets and liabilities				
Due from other funds	-	81	1,625	-
Prepaid expenses	(43,501)	-	-	-
Accounts payable	-	-	(23,499)	-
Accrued claims	-	-	(20,000)	-
Deferred Revenue	-	-	-	-
Net Cash Used by Operating Activities	<u><u>\$(300,123)</u></u>	<u><u>\$(8,251)</u></u>	<u><u>\$ 253,346</u></u>	<u><u>\$ -</u></u>

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
\$ 55,021	\$ 337,337	\$ 3,535,038
(28,491)	(368,791)	(3,596,696)
-	-	1,706
<u>26,530</u>	<u>(31,454)</u>	<u>(59,952)</u>
82,838	187,500	270,338
-	(82,838)	(82,838)
<u>82,838</u>	<u>104,662</u>	<u>187,500</u>
(93,225)	(265,226)	(358,451)
<u>(93,225)</u>	<u>(265,226)</u>	<u>(358,451)</u>
16,143	(192,018)	(230,903)
<u>15,383</u>	<u>533,307</u>	<u>2,146,677</u>
<u>\$ 31,526</u>	<u>\$ 341,289</u>	<u>\$ 1,915,774</u>
\$ (23,246)	\$ (398,496)	\$ (391,476)
43,093	401,962	445,055
-	-	1,706
-	-	(43,501)
6,683	(34,920)	(51,736)
-	-	(20,000)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 26,530</u>	<u>\$ (31,454)</u>	<u>\$ (59,952)</u>

FIDUCIARY FUNDS

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2005**

	<u>Pension</u>	<u>Public Employee Health Care</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 437,855	\$ 342,190	\$ 780,045
Investments	1,000,000	1,000,000	2,000,000
Due from other funds	<u>45,293</u>	<u>-</u>	<u>45,293</u>
 Total Assets	 1,483,148	 1,342,190	 2,825,338
 Liabilities:			
Accounts payable	<u>146,532</u>	<u>-</u>	<u>146,532</u>
 Net Assets held in trust for pension and health care benefits	 <u><u>\$ 1,336,616</u></u>	 <u><u>\$ 1,342,190</u></u>	 <u><u>\$ 2,678,806</u></u>

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Pension</u>	<u>Public Employee Health Care</u>	<u>Total</u>
Additions:			
Contributions - employer	\$ 1,655,770	\$ 942,450	\$ 2,598,220
Deductions:			
Transfer to administrative agent	<u>1,528,430</u>	<u>1,101,640</u>	<u>2,630,070</u>
Net additions (deductions) to net assets held in trust	127,340	(159,190)	(31,850)
Net assets held in trust at beginning of year	<u>1,209,276</u>	<u>1,501,380</u>	<u>2,710,656</u>
Net assets held in trust at end of year	<u><u>\$ 1,336,616</u></u>	<u><u>\$ 1,342,190</u></u>	<u><u>\$ 2,678,806</u></u>

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2005**

	Agency Funds				
	General Agency	Library Penal Fines	District Court	Common Banking	Total
ASSETS					
Cash and cash equivalents	\$ 826,619	\$ 28,548	\$ 55,183	\$ 51,306	\$ 961,656
Receivables	-	-	5,598	38,282	43,880
Total Assets	<u>\$ 826,619</u>	<u>\$ 28,548</u>	<u>\$ 60,781</u>	<u>\$ 89,588</u>	<u>\$ 1,005,536</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	607,154	-	(141,937)	42,433	507,650
Due to individuals and agencies	<u>219,465</u>	<u>28,548</u>	<u>202,718</u>	<u>47,155</u>	<u>497,886</u>
Total Liabilities	<u>\$ 826,619</u>	<u>\$ 28,548</u>	<u>\$ 60,781</u>	<u>\$ 89,588</u>	<u>\$ 1,005,536</u>

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 2,660,125	\$ 110,412,944	\$ 112,111,413	\$ 961,656
Receivables	<u>50,252</u>	<u>-</u>	<u>6,372</u>	<u>43,880</u>
Total Assets	<u><u>\$ 2,710,377</u></u>	<u><u>\$ 110,412,944</u></u>	<u><u>\$ 112,117,785</u></u>	<u><u>\$ 1,005,536</u></u>
Liabilities:				
Accounts payable	\$(450)	\$ 32,045,889	\$ 32,045,439	\$ -
Due to other governmental units	1,867,629	35,153,456	36,513,435	507,650
Due to individuals and agencies	<u>843,198</u>	<u>6,821,172</u>	<u>7,166,484</u>	<u>497,886</u>
Total Liabilities	<u><u>\$ 2,710,377</u></u>	<u><u>\$ 74,020,517</u></u>	<u><u>\$ 75,725,358</u></u>	<u><u>\$ 1,005,536</u></u>
GENERAL AGENCY FUND				
Assets:				
Cash and cash equivalents	\$ 2,541,799	\$ 78,338,415	\$ 80,053,595	\$ 826,619
Receivables	<u>5,432</u>	<u>-</u>	<u>5,432</u>	<u>-</u>
Total Assets	<u><u>\$ 2,547,231</u></u>	<u><u>\$ 78,338,415</u></u>	<u><u>\$ 80,059,027</u></u>	<u><u>\$ 826,619</u></u>
Liabilities:				
Accounts Payable	\$(450)	\$ 31,355,390	\$ 31,354,940	\$ -
Due to other governmental units	1,851,771	26,217,876	27,462,493	607,154
Due to individuals and agencies	<u>695,910</u>	<u>4,174,554</u>	<u>4,650,999</u>	<u>219,465</u>
Total Liabilities	<u><u>\$ 2,547,231</u></u>	<u><u>\$ 61,747,820</u></u>	<u><u>\$ 63,468,432</u></u>	<u><u>\$ 826,619</u></u>
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	<u><u>\$ 34,282</u></u>	<u><u>\$ 468,289</u></u>	<u><u>\$ 474,023</u></u>	<u><u>\$ 28,548</u></u>
Liabilities:				
Due to -				
Individuals and agencies	<u><u>\$ 34,282</u></u>	<u><u>\$ 934,101</u></u>	<u><u>\$ 939,835</u></u>	<u><u>\$ 28,548</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
DISTRICT COURT				
Assets:				
Cash and cash equivalents	\$ 15,579	\$ 2,909,144	\$ 2,869,540	\$ 55,183
Receivables	6,538	-	940	5,598
	<u>109,437</u>	<u>2,909,144</u>	<u>2,870,480</u>	<u>60,781</u>
Total assets	<u>\$ 109,437</u>	<u>\$ 2,909,144</u>	<u>\$ 2,870,480</u>	<u>\$ 60,781</u>
Liabilities:				
Due to other governmental units	\$(43,676)	\$ 3,762,638	\$ 3,860,899	\$(141,937)
Due to individuals and agencies	65,793	493,859	356,934	202,718
	<u>109,437</u>	<u>4,256,497</u>	<u>4,217,833</u>	<u>60,781</u>
COMMON BANKING				
Assets:				
Cash and cash equivalents	\$ 68,465	\$ 28,697,096	\$ 28,714,255	\$ 51,306
Receivables	38,282	-	-	38,282
	<u>130,321</u>	<u>28,697,096</u>	<u>28,714,255</u>	<u>89,588</u>
Total assets	<u>\$ 130,321</u>	<u>\$ 28,697,096</u>	<u>\$ 28,714,255</u>	<u>\$ 89,588</u>
Liabilities:				
Accounts payable	\$ -	\$ 690,499	\$ 690,499	\$ -
Due to other governmental units	59,534	5,172,942	5,190,043	42,433
Due to individuals and agencies	47,213	1,218,658	1,218,716	47,155
	<u>130,321</u>	<u>7,082,099</u>	<u>7,099,258</u>	<u>89,588</u>

Concluded

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

LAPEER COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES IN CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2005

	Adjusted Balance January 1, 2005	Additions	Disposals	Balance December 31, 2005
General County:				
Land	\$ 256,170	\$ 319,214	\$ 102,557	\$ 472,827
Land improvements	1,674,899	9,260	-	1,684,159
Buildings	20,070,611	1,839,475	-	21,910,086
Equipment	5,862,352	197,326	-	6,059,678
Vehicles	317,281	-	-	317,281
	<u>28,026,977</u>	<u>2,365,275</u>	<u>102,557</u>	<u>30,444,031</u>
Less - accumulated depreciation	(11,780,907)	(1,383,896)	-	(13,164,803)
	<u>17,503,763</u>	<u>981,379</u>	<u>102,557</u>	<u>17,279,228</u>
Construction in progress	<u>1,513,660</u>	<u>182,456</u>	<u>1,513,660</u>	<u>182,456</u>
Net Total Investment in General Fixed Assets	<u><u>\$ 18,197,667</u></u>	<u><u>\$ 1,163,835</u></u>	<u><u>\$ 1,616,217</u></u>	<u><u>\$ 17,461,684</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

LAPEER COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY DECEMBER 31, 2005

	Total	Land and Improvements	Buildings	Equipment	Vehicles
General Government:					
Legislative	\$ 315,088	\$ -	\$ 315,088	\$ -	\$ -
Judicial	3,363,412	-	3,223,904	139,508	-
General Services	6,269,569	388,309	5,702,051	164,406	14,803
	<u>9,948,069</u>	<u>388,309</u>	<u>9,241,043</u>	<u>303,914</u>	<u>14,803</u>
Public Works:					
Sanitary Landfill	30,000	-	30,000	-	-
Drain Commission	209,274	-	-	-	209,274
	<u>239,274</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>209,274</u>
Public Safety:					
Animal Shelter	242,449	25,302	211,900	5,247	-
911 Communications Center	6,133,768	75,926	969,067	5,078,456	10,319
Sheriff	6,168,770	498,390	5,488,611	125,530	56,239
	<u>12,544,987</u>	<u>599,618</u>	<u>6,669,578</u>	<u>5,209,233</u>	<u>66,558</u>
Health and Welfare:					
Health Department	615,434	37,221	238,782	339,431	-
Mental Health	2,977,343	129,692	2,709,807	137,844	-
D.O.S.A.	32,686	-	-	32,686	-
Family Independence Agency	1,871,800	143,480	1,728,320	-	-
	<u>5,497,263</u>	<u>310,393</u>	<u>4,676,909</u>	<u>509,961</u>	<u>-</u>
Recreation and Cultural:					
Parks and Recreation	2,050,134	817,068	1,194,356	29,550	9,160
Cooperative Extension	7,021	-	-	7,021	-
Libraries	157,283	41,597	98,200	-	17,486
	<u>2,214,438</u>	<u>858,665</u>	<u>1,292,556</u>	<u>36,571</u>	<u>26,646</u>
Total Capital Assets	30,444,031	2,156,985	21,910,086	6,059,679	317,281
Less: accumulated depreciation	(13,164,803)	(1,081,837)	(6,860,378)	(4,905,307)	(317,281)
	<u>17,279,228</u>	<u>1,075,148</u>	<u>15,049,708</u>	<u>1,154,372</u>	<u>-</u>
Construction in progress	<u>182,456</u>	<u>-</u>	<u>182,456</u>	<u>-</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 17,461,684</u>	<u>\$ 1,075,148</u>	<u>\$ 15,232,164</u>	<u>\$ 1,154,372</u>	<u>\$ -</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

LAPEER COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance January 1, 2005	Additions	Disposals	Balance December 31, 2005
General Government:				
Legislative	\$ 315,088	\$ -	\$ -	\$ 315,088
Judicial	3,363,412	-	-	3,363,412
General Services	4,366,962	1,902,607	-	6,269,569
Total General Government	8,045,462	1,902,607	-	9,948,069
Construction in Progress	1,508,260	182,456	1,508,260	182,456
Total General Government	9,553,722	2,085,063	1,508,260	10,130,525
Public Works:				
Sanitary Landfill	30,000	-	-	30,000
Drain Commission	209,274	-	-	209,274
Total Public Works	239,274	-	-	239,274
Public Safety:				
Animal Shelter	242,449	-	-	242,449
911 Center	5,995,714	138,054	-	6,133,768
Sheriff	5,952,113	319,214	102,557	6,168,770
Total Public Safety	12,190,276	457,268	102,557	12,544,987
Health and Welfare:				
Health Department	615,434	-	-	615,434
Mental Health	2,977,343	-	-	2,977,343
D.O.S.A.	32,686	-	-	32,686
Family Independence Agency	1,871,800	-	-	1,871,800
Total Health and Welfare	5,497,263	-	-	5,497,263
Recreation and Cultural:				
Parks and Recreation	2,044,734	5,400	-	2,050,134
Cooperative Extension	7,021	-	-	7,021
Libraries	157,283	-	-	157,283
Total Recreation and Cultural	2,209,038	5,400	-	2,214,438
Construction in Progress	5,400	-	5,400	-
Total Recreation and Cultural	2,214,438	5,400	5,400	2,214,438
 Total Capital Assets	 \$ 29,694,973	 \$ 2,547,731	 \$ 1,616,217	 \$ 30,626,487

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

DISCRETELY PRESENTED COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
GOVERNMENTAL FUND TYPES
BOARD OF PUBLIC WORKS
DECEMBER 31, 2005**

	Major Funds				
	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
ASSETS					
Cash and cash equivalents	\$ 161	\$ 657	\$ 4,350	\$ 3,356	\$ 410,777
Contracts receivable	990,000	746,507	330,000	380,000	2,025,000
Total Assets	<u>\$ 990,161</u>	<u>\$ 747,164</u>	<u>\$ 334,350</u>	<u>\$ 383,356</u>	<u>\$ 2,435,777</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 137
Deferred revenue	990,000	746,507	330,000	380,000	2,025,000
Total Liabilities	<u>990,000</u>	<u>746,507</u>	<u>330,000</u>	<u>380,000</u>	<u>2,025,137</u>
Fund Balance:					
Unreserved					
Undesignated	<u>161</u>	<u>657</u>	<u>4,350</u>	<u>3,356</u>	<u>410,640</u>
Total Liabilities and Fund Balance	<u>\$ 990,161</u>	<u>\$ 747,164</u>	<u>\$ 334,350</u>	<u>\$ 383,356</u>	<u>\$ 2,435,777</u>

Nonmajor Funds						
Capital Projects	Debt Service		Capital Projects		Total Nonmajor Funds	Total
Almont Sewage Disposal 2002	Almont Wastewater Treatment	North Branch Wastewater Treatment	Otter Lake Sewer Project	Dryden Drinking Water		
\$ 56,424	\$ 160	\$ 215	\$ -	\$ -	\$ 375	\$ 476,100
-	42,000	500,000	-	-	542,000	5,013,507
<u>\$ 56,424</u>	<u>\$ 42,160</u>	<u>\$ 500,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,375</u>	<u>\$ 5,489,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137
-	42,000	500,000	-	-	542,000	5,013,507
<u>-</u>	<u>42,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>542,000</u>	<u>5,013,644</u>
56,424	160	215	-	-	375	475,963
<u>\$ 56,424</u>	<u>\$ 42,160</u>	<u>\$ 500,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,375</u>	<u>\$ 5,489,607</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
BOARD OF PUBLIC WORKS
DECEMBER 31, 2005**

Fund Balance - Total Governmental Funds	\$	475,963
Amounts available in the Capital Projects Funds that reduce the contract receivable on the government wide statements	(428,302)
Liabilities that are not payable in the current period and therefore not reported in the fund statements		
Bonds Payable	(5,013,507)
Accrued interest on bonds payable	(47,661)
Revenues that are deferred in the fund statements because the amounts are not available		
Lease revenue		<u>5,013,507</u>
Net Assets of governmental activities	\$	<u><u>-</u></u>

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS FOR THE YEAR ENDED DECEMBER 31, 2005

	Major Funds				
	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
Revenues:					
Intergovernmental -					
Local	\$ 138,253	\$ 64,752	\$ 193,405	\$ 104,630	\$ 48,354
Interest	4	17	285	1,114	2,849
Total Revenues	<u>138,257</u>	<u>64,769</u>	<u>193,690</u>	<u>105,744</u>	<u>51,203</u>
Expenditures:					
Capital Outlay	-	-	-	-	-
Debt Service-					
Principal retirement	80,000	45,000	170,000	80,000	80,000
Interest and fiscal charges	58,253	19,225	23,405	24,630	96,709
Total Expenditures	<u>138,253</u>	<u>64,225</u>	<u>193,405</u>	<u>104,630</u>	<u>176,709</u>
Excess of revenues over (under)					
expenditures	<u>4</u>	<u>544</u>	<u>285</u>	<u>1,114</u>	<u>(125,506)</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	534,686
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,686</u>
Net change in Fund Balances	4	544	285	1,114	409,180
Fund Balances at end of year	<u>157</u>	<u>113</u>	<u>4,065</u>	<u>2,242</u>	<u>1,460</u>
Fund Balances at end of year	<u>\$ 161</u>	<u>\$ 657</u>	<u>\$ 4,350</u>	<u>\$ 3,356</u>	<u>\$ 410,640</u>

Nonmajor Funds					
Capital Projects	Debt Service		Capital Project	Total Nonmajor Funds	Total
Almont Sewage Disposal 2002	Almont Wastewater Treatment	North Branch Wastewater Treatment	Otter Lake Sewer Project		
\$ -	\$ 11,741	\$ 51,055	\$ -	\$ 62,796	\$ 612,190
12,315	10	5	-	15	16,599
<u>12,315</u>	<u>11,751</u>	<u>51,060</u>	<u>-</u>	<u>62,811</u>	<u>628,789</u>
11,664	-	-	-	-	11,664
-	9,000	20,000	-	29,000	484,000
-	2,741	31,055	507	34,303	256,525
<u>11,664</u>	<u>11,741</u>	<u>51,055</u>	<u>507</u>	<u>63,303</u>	<u>752,189</u>
651	10	5	(507)	(492)	(123,400)
-	-	-	-	-	534,686
(534,686)	-	-	-	-	(534,686)
<u>(534,686)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(534,035)	10	5	(507)	(492)	(123,400)
<u>590,459</u>	<u>150</u>	<u>210</u>	<u>507</u>	<u>867</u>	<u>599,363</u>
<u>\$ 56,424</u>	<u>\$ 160</u>	<u>\$ 215</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 475,963</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
BOARD OF PUBLIC WORKS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds	\$(123,400)
Amounts reported for governmental activities in the statement activities are different because:	
Repayment of bond principal and transfer of bonding agent reported as expenditures in the governmental funds, but reduce long-term liabilities in the statement of activities	484,000
Interest reported in the governmental funds as it is paid but in the statement of activities as it is incurred	6,563
Revenues reported in the governmental funds when received, however, in the statement of activities when earned	<u>(420,445)</u>
Change in net assets of governmental activities	<u><u>\$(53,282)</u></u>

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET GOVERNMENTAL FUND TYPES DRAINAGE DISTRICTS DECEMBER 31, 2005

	Major Funds				
	Debt Service				Capital Project
	Potter's Lake	Winn Lake	Lake Lapeer Lake Level	Imlay Bigelow	Special Assessment Drain
ASSETS					
Cash and cash equivalents	\$ 700,026	\$ 130,381	\$ 42,873	\$ 288,056	\$ 31,826
Investments	-	-	-	-	2,250,000
Receivables -					
Special assessments	586,839	343,576	190,302	2,967,120	142,966
Due from other funds	-	-	-	4,531	-
Total Assets	<u>\$ 1,286,865</u>	<u>\$ 473,957</u>	<u>\$ 233,175</u>	<u>\$ 3,259,707</u>	<u>\$ 2,424,792</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 418
Due to other funds	-	-	-	-	516,617
Advances from primary government	-	-	-	-	-
Deferred revenue	511,901	311,791	129,222	2,721,012	-
Total Liabilities	<u>511,901</u>	<u>311,791</u>	<u>129,222</u>	<u>2,721,012</u>	<u>517,035</u>
Fund Balances -					
Reserved for debt service	774,964	162,166	103,953	538,695	-
Unreserved - undesignated	-	-	-	-	1,907,757
Total Fund Balance	<u>774,964</u>	<u>162,166</u>	<u>103,953</u>	<u>538,695</u>	<u>1,907,757</u>
Total Liabilities and Fund Balance	<u>\$ 1,286,865</u>	<u>\$ 473,957</u>	<u>\$ 233,175</u>	<u>\$ 3,259,707</u>	<u>\$ 2,424,792</u>

Major Funds	Nonmajor Funds					
Capital Project	Debt Service			Capital Projects	Total Nonmajor Funds	Total
Imlay Bigelow	Drain	Drain	Lake Nepessing Lake Level	Drain Revolving		
\$ 320,216	\$ -	\$ -	\$ -	\$ 101,792	\$ 422,008	\$ 1,615,170
-	-	-	-	-	-	2,250,000
-	-	-	-	-	-	4,230,803
-	216,000	-	-	76,727	292,727	297,258
<u>\$ 320,216</u>	<u>\$ 216,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,519</u>	<u>\$ 714,735</u>	<u>\$ 8,393,231</u>
\$ 111,600	\$ -	\$ -	\$ -	\$ -	\$ 111,600	\$ 112,018
4,531	-	-	-	-	4,531	521,148
-	216,000	-	-	90,000	306,000	306,000
-	-	-	-	-	-	3,673,926
<u>116,131</u>	<u>216,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>422,131</u>	<u>4,613,092</u>
-	-	-	-	-	-	1,579,778
204,085	-	-	-	88,519	292,604	2,200,361
<u>204,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,519</u>	<u>292,604</u>	<u>3,780,139</u>
<u>\$ 320,216</u>	<u>\$ 216,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,519</u>	<u>\$ 714,735</u>	<u>\$ 8,393,231</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS
DECEMBER 31, 2005**

Fund Balances - Total Governmental Funds	\$ 3,780,139
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	27,784,552
Accumulated depreciation	(9,710,536)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	3,673,926
An internal service fund used by management to charge costs of maintenance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
	855,974
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds/notes payable	(4,903,000)
Bond issuance cost	202,010
Accrued interest on bonds/notes payable	(29,585)
Net Assets of governmental activities	<u><u>\$ 21,653,480</u></u>

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND TYPES - DRAINAGE DISTRICTS FOR THE YEAR ENDED DECEMBER 31, 2005

	Major Funds				Capital Project Special Assessment Drain
	Debt Service		Lake Lapeer Lake Level	Imlay Bigelow	
	Potter's Lake	Winn Lake			
Revenues:					
Local contribution	\$ -	\$ -	\$ -	\$ -	\$ 24,559
Interest	28,904	4,132	1,244	11,291	52,177
Other -					
Special assessments	345,889	59,912	76,286	608,953	74,233
Miscellaneous	-	-	-	-	10,202
Total Revenues	<u>374,793</u>	<u>64,044</u>	<u>77,530</u>	<u>620,244</u>	<u>161,171</u>
Expenditures:					
Capital Outlay-					
Construction	-	-	-	-	-
Maintenance	-	-	-	-	270,558
Debt Service -					
Principal retirement	100,000	25,000	69,000	-	-
Interest and fiscal charges	61,150	23,498	9,593	81,549	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>161,150</u>	<u>48,498</u>	<u>78,593</u>	<u>81,549</u>	<u>270,558</u>
Excess of revenues over (under) expenditures	<u>213,643</u>	<u>15,546</u>	<u>(1,063)</u>	<u>538,695</u>	<u>(109,387)</u>
Other Financing Sources (Uses):					
Bond Proceeds	-	-	-	-	-
Transfers In	336,355	73,755	14,329	-	469,475
Transfers Out	-	-	-	-	(683,941)
Total Other Sources (Uses)	<u>336,355</u>	<u>73,755</u>	<u>14,329</u>	<u>-</u>	<u>(214,466)</u>
Net change in Fund Balances	549,998	89,301	13,266	538,695	(323,853)
Fund Balances at beginning of year	<u>224,966</u>	<u>72,865</u>	<u>90,687</u>	<u>-</u>	<u>2,231,610</u>
Fund Balances at end of year	<u>\$ 774,964</u>	<u>\$ 162,166</u>	<u>\$ 103,953</u>	<u>\$ 538,695</u>	<u>\$ 1,907,757</u>

Major Funds	Nonmajor Funds					
Capital Project	Debt Service			Capital Project		
Imlay Bigelow	Drain	360 Drain	Lake Nepessing Lake Level	Drain Revolving	Total Nonmajor Funds	Total
\$ 450,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 474,559
33,967	-	(2,189)	-	2,272	83	131,798
-	-	-	-	-	-	1,165,273
36,073	-	-	-	-	-	46,275
<u>520,040</u>	<u>-</u>	<u>(2,189)</u>	<u>-</u>	<u>2,272</u>	<u>83</u>	<u>1,817,905</u>
2,650,876	-	-	-	-	-	2,650,876
-	-	-	-	52,184	52,184	322,742
-	-	-	-	-	-	194,000
-	-	-	-	-	-	175,790
202,010	-	-	-	-	-	202,010
<u>2,852,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,184</u>	<u>52,184</u>	<u>3,545,418</u>
(2,332,846)	-	(2,189)	-	(49,912)	(52,101)	(1,727,513)
2,830,000	-	-	-	-	-	2,830,000
-	-	-	-	146,169	146,169	1,040,083
(293,069)	(176,278)	-	(128)	-	(176,406)	(1,153,416)
<u>2,536,931</u>	<u>(176,278)</u>	<u>-</u>	<u>(128)</u>	<u>146,169</u>	<u>(30,237)</u>	<u>2,716,667</u>
204,085	(176,278)	(2,189)	(128)	96,257	(82,338)	989,154
-	176,278	2,189	128	(7,738)	170,857	2,790,985
<u>\$ 204,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,519</u>	<u>\$ 88,519</u>	<u>\$ 3,780,139</u>

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS DECEMBER 31, 2005

Net change in fund balances - Total Governmental Funds	\$ 989,154
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	2,764,623
Depreciation expense	(854,579)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,330,376
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Bond proceeds	(2,830,000)
Principal payments on long term liabilities	194,000
Bond issuance costs	202,010
<p>An internal service fund is used by management to charge costs of maintenance. The net revenues (expenses) attributable to this fund are reported with governmental activities</p>	
	149,543
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Increase in accrued interest payable	(13,215)
Change in net assets of governmental activities	<u>\$ 2,931,912</u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
DECEMBER 31, 2005**

Assets:

Current Assets -	
Cash and cash equivalents	\$ 632,913
Due from other funds	<u>223,890</u>
Total Assets	<u>856,803</u>

Liabilities:

Accounts payable	829
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Net Assets:

Unrestricted	855,974
Total Net Assets	<u><u>\$ 855,974</u></u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Revenue:

Charges for services	\$ 188,597
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Operating Expenses:

Administrative and Operating -	
Drain Maintenance	<u>167,821</u>

Operating income	20,776
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Nonoperating Revenue:

Interest	<u>15,434</u>
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Income before transfers	36,210
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Transfers:

Transfers in	<u>113,333</u>
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Change in net assets	149,543
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Net Assets at beginning of year	<u>706,431</u>
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Net Assets at end of year	<u><u>\$ 855,974</u></u>
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LAPEER COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

**DRAIN EQUIPMENT AND MAINTENANCE PROPRIETARY FUND - DRAINAGE DISTRICTS
FOR THE YEARS ENDED DECEMBER 31, 2005**

Cash Flows From Operating Activities:

Receipts for services	\$ 87,842
Payment to suppliers	<u>(167,127)</u>
Net Cash Used by Operating Activities	<u>(79,285)</u>

Cash Flows From Noncapital Financing Activities:

Transfers in	<u>113,333</u>
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Cash Flows From Investing Activities:

Interest earned on investments	<u>15,434</u>
Net increase in cash and cash equivalents	49,482
Cash and Cash Equivalents at beginning of year	<u>583,431</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 632,913</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash Used
by Operating Activities:**

Operating gain	\$ 20,776
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	694
Due from other funds	<u>(100,755)</u>
Net Cash Used by Operating Activities	<u><u>\$(79,285)</u></u>

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE NET ASSETS BY COMPONENT LAST THREE YEARS (A) ACCRUAL BASIS OF ACCOUNTING (UNAUDITED)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 19,997,437	\$ 19,575,975	\$ 19,165,973
Restricted	-	6,562,611	11,296,788
Unrestricted	12,714,648	7,508,523	4,516,543
Total Government activities net assets	<u>\$ 32,712,085</u>	<u>\$ 33,647,109</u>	<u>\$ 34,979,304</u>
 Business type activities			
Invested in capital assets, net of related debt	\$ 6,893,437	\$ 7,145,228	\$ 7,433,275
Restricted	399,139	498,836	615,632
Unrestricted	13,287,507	13,168,742	13,942,229
Total business-type activities net assets	<u>\$ 20,580,083</u>	<u>\$ 20,812,806</u>	<u>\$ 21,991,136</u>
 Primary government			
Invested in capital assets, net of related debt	\$ 26,890,874	\$ 26,721,203	\$ 26,599,248
Restricted	399,139	7,061,447	11,912,420
Unrestricted	26,002,155	20,677,265	18,458,772
Total primary government net assets	<u>\$ 53,292,168</u>	<u>\$ 54,459,915</u>	<u>\$ 56,970,440</u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE CHANGES IN NET ASSETS LAST THREE YEARS (A) ACCRUAL BASIS OF ACCOUNTING (UNAUDITED)

	2003	2004	2005
Expenses			
Governmental activities			
Legislative	\$ 249,625	\$ 252,618	\$ 273,694
Judicial	4,300,006	4,418,052	4,588,516
General government	5,684,277	6,320,824	5,627,863
Public safety	8,000,530	8,052,226	9,080,322
Public works	233,266	378,218	486,381
Health and welfare	22,243,064	21,641,181	21,418,610
Recreation and Culture	1,656,481	821,982	846,669
Other Activities	666,630	1,403,536	1,567,547
Interest on long term debt	105,844	33,098	66,483
Total governmental activities expenses	<u>\$ 43,139,723</u>	<u>\$ 43,321,735</u>	<u>\$ 43,956,085</u>
Business type activities			
Medical care facility	\$ 15,208,745	\$ 16,057,336	\$ 15,304,504
Delinquent tax	165,983	57,718	130,799
Total Business type activities expenses	<u>\$ 15,374,728</u>	<u>\$ 16,115,054</u>	<u>\$ 15,435,303</u>
Total primary government expenses	<u>\$ 58,514,451</u>	<u>\$ 59,436,789</u>	<u>\$ 59,391,388</u>
Program revenues			
Charges for services			
Legislative	\$ -	\$ -	\$ -
Judicial	1,518,238	1,472,387	1,580,081
General government	3,490,415	3,604,610	3,660,140
Public safety	3,586,791	1,990,574	2,166,574
Public works	45,463	90	-
Health and welfare	12,429,967	12,184,060	2,696,314
Recreation and Culture	185,350	165,998	229,879
Other Activities	306,996	334,424	413,985
Interest on long term debt	207,623	207,623	207,622
Operating grants and contributions	7,168,123	7,660,864	17,645,715
Capital grants and contributions	143,718	181,941	755,517
Total governmental activities program revenues	<u>\$ 29,082,684</u>	<u>\$ 27,802,571</u>	<u>\$ 29,355,827</u>
Business type activities			
Charges for services			
Medical care facility	\$ 15,097,043	\$ 13,714,790	\$ 13,876,815
Delinquent tax	988,896	969,041	660,487
Operating grants and contributions	-	-	-
Total business type activities program revenues	<u>\$ 16,085,939</u>	<u>\$ 14,683,831</u>	<u>\$ 14,537,302</u>
Total primary government revenues	<u>\$ 45,168,623</u>	<u>\$ 42,486,402</u>	<u>\$ 43,893,129</u>
Net (expense) revenue			
Government activities	\$(14,057,039)	\$(15,519,164)	\$(14,600,258)
Business-type activities	<u>711,211</u>	<u>(1,431,223)</u>	<u>(898,001)</u>
Total primary government net expenses	<u>\$(13,345,828)</u>	<u>\$(16,950,387)</u>	<u>\$(15,498,259)</u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE CHANGES IN NET ASSETS LAST THREE YEARS (A) ACCRUAL BASIS OF ACCOUNTING (UNAUDITED)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Revenues			
Governmental activities			
Property Taxes	\$ 9,121,348	\$ 13,825,956	\$ 15,081,491
Unrestricted grants and contributions	2,164,556	1,287,208	-
Investment earnings	199,943	537,174	567,529
Gain on Sale of capital assets	446,923	-	-
Transfers	393,860	803,850	283,433
Total governmental activities	<u>\$ 12,326,630</u>	<u>\$ 16,454,188</u>	<u>\$ 15,932,453</u>
Business type activities			
Property Taxes	\$ 1,877,376	\$ 1,925,363	\$ 2,054,142
Unrestricted grants and contributions	230,864	317,946	311,804
Investment earnings	82,373	20,637	125,453
Loss on Sale of capital assets	(26,526)	-	(223)
Transfers	(600,000)	(600,000)	(414,845)
Total Business type activities	<u>\$ 1,564,087</u>	<u>\$ 1,663,946</u>	<u>\$ 2,076,331</u>
Total primary government expenses	<u>\$ 13,890,717</u>	<u>\$ 18,118,134</u>	<u>\$ 18,008,784</u>
Change in Net Assets			
Government activities	\$(1,730,409)	\$ 935,024	\$ 1,332,195
Business-type activities	<u>2,275,298</u>	<u>232,723</u>	<u>1,178,330</u>
Total primary government	<u><u>\$ 544,889</u></u>	<u><u>\$ 1,167,747</u></u>	<u><u>\$ 2,510,525</u></u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

Concluded

LAPEER COUNTY, MICHIGAN

GENERAL GOVERNMENTAL FUND BALANCE LAST THREE YEARS (A) ACCRUAL BASIS OF ACCOUNTING (UNAUDITED)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund			
Reserved	\$ 208,000	\$ 198,596	\$ 198,000
Unreserved	<u>1,725,292</u>	<u>1,943,248</u>	<u>2,217,908</u>
Total general fund	<u>\$ 1,933,292</u>	<u>\$ 2,141,844</u>	<u>\$ 2,415,908</u>
All other Governmental Funds			
Reserved	\$ 569,624	\$ 378,004	\$ 308,045
Unreserved, reported in:			
Special revenue funds	5,654,640	8,149,382	10,177,462
Debt service funds	87,198	138,128	180,756
Capital project funds	<u>1,364,928</u>	<u>1,276,701</u>	<u>938,570</u>
Total general fund	<u>\$ 7,676,390</u>	<u>\$ 9,942,215</u>	<u>\$ 11,604,833</u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

LAPEER COUNTY, MICHIGAN

GENERAL GOVERNMENTAL CHANGES IN FUND BALANCES LAST TEN YEARS ACCRUAL BASIS OF ACCOUNTING (UNAUDITED)

	1996	1997	1998	1999
Revenues				
Taxes	\$ 6,408,281	\$ 7,860,509	\$ 9,980,316	\$ 9,304,898
Licenses and permits	349,860	469,032	470,370	560,314
Intergovernmental	9,225,290	9,725,866	9,563,552	17,344,008
Charges for services	6,672,185	7,424,757	10,701,978	5,960,665
Fines and forfeits	613,100	623,485	578,776	731,825
Rents and royalties	525,586	536,938	533,320	537,044
Interest on long term debt	822,797	793,474	739,143	963,728
Other	2,065,910	2,442,777	1,013,488	1,156,953
Total Revenues	<u>\$ 26,683,009</u>	<u>\$ 29,876,838</u>	<u>\$ 33,580,943</u>	<u>\$ 36,559,435</u>
Expenditures				
Current-				
Legislative	\$ 110,280	\$ 103,541	\$ 93,576	\$ 130,831
Judicial	3,086,146	3,139,990	3,322,276	3,434,095
General government	2,746,884	2,734,357	2,924,932	3,370,913
Public safety	3,865,266	4,312,430	5,151,418	5,882,861
Public works	279,052	272,695	282,042	303,164
Health and welfare	11,837,591	12,263,965	15,521,091	15,641,160
Recreation and Culture	1,272,401	1,391,133	1,652,821	1,706,875
Other Activities	335,060	198,193	130,480	249,114
Capital outlay	2,326,479	9,574,726	1,621,098	2,533,241
Debt Service	370,058	348,735	1,405,402	1,677,731
Total Expenditures	<u>\$ 26,229,217</u>	<u>\$ 34,339,765</u>	<u>\$ 32,105,136</u>	<u>\$ 34,929,985</u>
Revenues over (under) expenditures	<u>\$ 453,792</u>	<u>\$ (4,462,927)</u>	<u>\$ 1,475,807</u>	<u>\$ 1,629,450</u>
Other financing sources (uses)				
Issuance of bonds	\$ -	\$ 3,100,000	\$ -	\$ 7,177,500
Premium of refunding bonds	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Transfers in	3,198,236	6,879,033	3,207,194	2,603,975
Transfers out	(3,367,504)	(7,469,109)	(4,253,727)	(3,293,975)
Transfers to component units	(136,135)	-	-	(166,390)
Total other financing sources (uses)	<u>\$ (305,403)</u>	<u>\$ 2,509,924</u>	<u>\$ (1,046,533)</u>	<u>\$ 6,321,110</u>
Net change in fund balance	<u>\$ 148,389</u>	<u>\$ (1,953,003)</u>	<u>\$ 429,274</u>	<u>\$ 7,950,560</u>
Debt service as a percentage of noncapital expenditures	<u>1.5%</u>	<u>1.4%</u>	<u>4.6%</u>	<u>5.2%</u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, capital outlay under GASB No. 34 has been allocated to the governmental activities to which it applies with the exception of capital project funds

Source: Lapeer County Finance Department

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 10,203,971	\$ 10,519,340	\$ 10,569,557	\$ 10,272,241	\$ 13,827,448	\$ 15,215,837
572,510	569,475	583,292	665,679	673,888	744,802
18,876,382	19,043,961	19,484,696	19,161,681	18,564,780	18,401,232
6,127,686	6,147,365	6,431,061	7,133,436	6,750,267	6,595,429
654,474	656,205	766,103	662,086	441,379	567,729
1,402,327	1,384,982	1,391,408	284,049	455,079	454,466
1,514,771	1,237,287	636,197	405,047	537,174	567,529
1,106,685	1,534,138	2,292,784	2,550,890	2,452,965	2,592,169
<u>\$ 40,458,806</u>	<u>\$ 41,092,753</u>	<u>\$ 42,155,098</u>	<u>\$ 41,135,109</u>	<u>\$ 43,702,980</u>	<u>\$ 45,139,193</u>
\$ 150,060	\$ 182,844	\$ 218,131	\$ 249,625	\$ 252,618	\$ 273,694
3,439,243	3,801,117	4,074,305	4,300,006	4,378,037	4,567,986
3,481,487	3,941,682	4,517,676	4,817,436	5,200,831	5,328,706
6,337,890	7,207,059	7,847,720	6,978,942	7,314,798	8,334,778
255,057	294,796	277,651	219,521	368,071	485,781
17,057,474	18,322,730	18,815,657	21,822,341	21,149,886	21,091,963
2,099,346	2,200,602	2,281,305	1,165,073	726,496	743,898
306,112	403,074	499,260	666,630	1,403,536	1,461,013
8,083,491	3,526,148	1,723,173	1,166,824	929,230	841,275
2,243,437	1,116,799	1,138,130	207,107	207,284	169,350
<u>\$ 43,453,597</u>	<u>\$ 40,996,851</u>	<u>\$ 41,393,008</u>	<u>\$ 41,593,505</u>	<u>\$ 41,930,787</u>	<u>\$ 43,298,444</u>
<u>\$ (2,994,791)</u>	<u>\$ 95,902</u>	<u>\$ 762,090</u>	<u>\$ (458,396)</u>	<u>\$ 1,772,193</u>	<u>\$ 1,840,749</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,535,000	\$ -
-	-	-	-	113,593	-
-	-	-	-	(1,599,309)	-
4,647,510	5,413,908	4,104,897	4,472,012	4,621,964	4,768,233
(4,320,604)	(6,002,996)	(4,677,156)	(4,484,171)	(3,969,064)	(4,672,300)
(179,469)	(190,813)	(182,074)	(220,711)	-	-
<u>\$ 147,437</u>	<u>\$ (779,901)</u>	<u>\$ (754,333)</u>	<u>\$ (232,870)</u>	<u>\$ 702,184</u>	<u>\$ 95,933</u>
<u><u>\$ (2,847,354)</u></u>	<u><u>\$ (683,999)</u></u>	<u><u>\$ 7,757</u></u>	<u><u>\$ (691,266)</u></u>	<u><u>\$ 2,474,377</u></u>	<u><u>\$ 1,936,682</u></u>
<u>6.3%</u>	<u>3.0%</u>	<u>2.9%</u>	<u>0.5%</u>	<u>0.5%</u>	<u>0.4%</u>

LAPEER COUNTY, MICHIGAN

GENERAL FUND CHANGES IN FUND BALANCES

LAST TEN YEARS

ACCRUAL BASIS OF ACCOUNTING

(UNAUDITED)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Revenues				
Taxes	\$ 5,799,794	\$ 6,083,030	\$ 6,386,215	\$ 6,779,556
Licenses and permits	15,210	16,399	22,297	16,800
Intergovernmental	2,578,138	2,982,873	3,102,902	3,135,169
Charges for services	1,860,703	2,012,794	2,368,283	2,763,557
Fines and forfeits	241,489	212,214	211,715	292,567
Rents and royalties	160,479	172,567	168,336	172,221
Interest on long term debt	501,828	515,299	556,154	585,959
Other	394,210	600,490	476,832	539,069
Total Revenues	<u>\$ 11,551,851</u>	<u>\$ 12,595,666</u>	<u>\$ 13,292,734</u>	<u>\$ 14,284,898</u>
Expenditures				
Current-				
Legislative	\$ 110,280	\$ 103,541	\$ 93,576	\$ 130,831
Judicial	2,091,512	2,153,005	2,261,380	2,343,934
General government	2,746,884	2,734,357	2,924,932	3,370,913
Public safety	3,125,588	3,210,296	3,609,793	3,828,755
Public works	188,841	185,958	201,747	226,131
Health and welfare	155,488	140,110	143,283	150,256
Recreation and Culture	176,852	181,540	175,351	196,544
Other Activities	277,376	145,041	97,973	220,479
Capital outlay	27,345	35,450	43,370	26,271
Total Expenditures	<u>\$ 8,900,166</u>	<u>\$ 8,889,298</u>	<u>\$ 9,551,405</u>	<u>\$ 10,494,114</u>
Revenues over (under) expenditures	<u>\$ 2,651,685</u>	<u>\$ 3,706,368</u>	<u>\$ 3,741,329</u>	<u>\$ 3,790,784</u>
Other financing sources (uses)				
Bond note and proceeds	\$ -	\$ -	\$ -	\$ -
Transfers in	516,252	-	-	-
Transfers out	(3,044,750)	(3,726,516)	(3,438,023)	(3,224,433)
Transfers to component units	(136,135)	-	-	(166,390)
Total other financing sources (uses)	<u>\$(2,664,633)</u>	<u>\$(3,726,516)</u>	<u>\$(3,438,023)</u>	<u>\$(3,390,823)</u>
Net change in fund balance	<u><u>\$(12,948)</u></u>	<u><u>\$(20,148)</u></u>	<u><u>\$ 303,306</u></u>	<u><u>\$ 399,961</u></u>

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, capital outlay under GASB No. 34. has been allocated to the governmental activities to which it applies.

Source: Lapeer County Finance Department

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 7,510,583	\$ 7,682,964	\$ 8,269,037	\$ 8,841,375	\$ 9,253,271	\$ 9,723,100
15,980	27,524	37,035	12,300	22,817	18,818
3,273,923	3,428,275	3,353,851	2,897,238	2,169,168	1,375,351
2,744,739	2,807,435	3,143,010	3,422,080	3,018,360	3,009,202
306,672	282,897	321,948	405,245	367,628	445,362
297,018	183,865	168,337	-	167,314	167,920
949,500	847,494	520,945	347,269	490,240	437,402
735,623	877,357	1,870,795	1,752,176	2,062,205	2,235,759
<u>\$ 15,834,038</u>	<u>\$ 16,137,811</u>	<u>\$ 17,684,958</u>	<u>\$ 17,677,683</u>	<u>\$ 17,551,003</u>	<u>\$ 17,412,914</u>
\$ 150,060	\$ 182,844	\$ 218,131	\$ 249,625	\$ 252,618	\$ 273,694
2,381,350	2,649,341	2,945,132	3,134,079	3,212,947	3,383,182
3,481,487	3,873,954	4,420,123	4,673,508	4,900,931	5,083,180
4,002,965	4,165,025	4,561,536	4,704,818	4,818,071	4,931,469
171,456	162,651	136,344	129,736	351,792	458,180
154,112	158,160	168,947	189,358	181,367	171,403
190,300	211,577	218,642	242,232	243,037	230,892
242,615	270,773	343,802	425,239	1,147,127	1,402,842
28,454	21,457	76,527	-	-	-
<u>\$ 10,802,799</u>	<u>\$ 11,695,782</u>	<u>\$ 13,089,184</u>	<u>\$ 13,748,595</u>	<u>\$ 15,107,890</u>	<u>\$ 15,934,842</u>
<u>\$ 5,031,239</u>	<u>\$ 4,442,029</u>	<u>\$ 4,595,774</u>	<u>\$ 3,929,088</u>	<u>\$ 2,443,113</u>	<u>\$ 1,478,072</u>
\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,063	-	663,154	1,480,197
(3,799,252)	(5,468,335)	(4,427,332)	(3,635,189)	(2,897,715)	(2,684,205)
(179,469)	(190,813)	(182,074)	(220,711)	-	-
<u>\$(3,928,721)</u>	<u>\$(5,659,148)</u>	<u>\$(4,608,343)</u>	<u>\$(3,855,900)</u>	<u>\$(2,234,561)</u>	<u>\$(1,204,008)</u>
<u>\$ 1,102,518</u>	<u>\$(1,217,119)</u>	<u>\$(12,569)</u>	<u>\$ 73,188</u>	<u>\$ 208,552</u>	<u>\$ 274,064</u>

LAPEER COUNTY, MICHIGAN

ASSESSED AND ESTIMATED STATE EQUALIZED VALUE OF TAXABLE PROPERTY LAST TEN YEARS (UNAUDITED)

Year Levied	Year of Revenue Recognition	Real Property		Personal Property		Total		Ratio of Total Assessed to State Equalized Value
		Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	
1996	1997	\$ 1,478,268,066	\$ 1,478,268,066	\$ 116,653,236	\$ 116,653,236	\$ 1,594,921,302	\$ 1,594,921,302	1 to 1.0000
1997	1998	\$ 1,642,605,533	\$ 1,642,605,533	\$ 129,068,712	\$ 129,068,712	\$ 1,771,674,245	\$ 1,771,674,245	1 to 1.0000
1998	1999	\$ 1,881,398,788	\$ 1,881,398,788	\$ 145,185,261	\$ 145,185,261	\$ 2,026,584,049	\$ 2,026,584,049	1 to 1.0000
1999	2000	\$ 2,151,852,840	\$ 2,151,852,840	\$ 155,642,257	\$ 155,642,257	\$ 2,307,495,097	\$ 2,307,495,097	1 to 1.0000
2000	2001	\$ 2,436,899,586	\$ 2,438,795,915	\$ 157,656,879	\$ 157,656,879	\$ 2,594,556,465	\$ 2,596,452,794	1 to 1.0000
2001	2002	\$ 2,778,505,109	\$ 2,778,505,109	\$ 167,488,640	\$ 167,488,640	\$ 2,945,993,749	\$ 2,945,993,749	1 to 1.0000
2002	2003	\$ 3,070,325,914	\$ 3,070,325,914	\$ 174,233,809	\$ 174,233,809	\$ 3,244,559,723	\$ 3,244,559,723	1 to 1.0000
2003	2004	\$ 3,333,100,217	\$ 3,337,161,870	\$ 173,032,010	\$ 173,032,010	\$ 3,506,132,227	\$ 3,510,193,880	1 to 1.0000
2004	2005	\$ 3,532,286,373	\$ 3,582,286,373	\$ 169,103,295	\$ 169,103,295	\$ 3,701,389,668	\$ 3,751,389,668	1 to 1.0000
2005	2006	\$ 3,827,781,737	\$ 3,827,007,762	\$ 177,164,475	\$ 177,164,475	\$ 4,004,946,212	\$ 4,004,172,237	1 to 1.0000

Notes:

1. Property Taxes are levied in December of each year. Property Taxes are recognized as revenue in the year following the year of levy except for the Medical Care Facility which recognizes property taxes as revenue in the year of levy.
2. The Michigan Constitution and Statutes for the years 1990 - 1994 provided that property is to be assessed and equalized at fifty percent of its fair market value.
3. In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a nonuniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

PROPERTY RATES-ALL DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN YEARS (UNAUDITED)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
County-										
Operating	4.1923	4.0710	4.0405	4.0977	4.0977	3.9901	3.9454	3.8941	3.8539	3.8165
Extra Voted	<u>1.3284</u>	<u>1.7401</u>	<u>2.5259</u>	<u>2.5620</u>	<u>2.4942</u>	<u>1.7459</u>	<u>1.7325</u>	<u>1.7098</u>	<u>1.8200</u>	<u>1.8021</u>
Total County	<u>5.5207</u>	<u>5.8111</u>	<u>6.5664</u>	<u>6.6597</u>	<u>6.5919</u>	<u>5.7360</u>	<u>5.6779</u>	<u>5.6039</u>	<u>5.6739</u>	<u>5.6186</u>
Townships-										
Almont	3.0310	3.0052	3.0269	2.9874	2.341	2.8951	3.8704	3.6763	3.8195	3.7556
Arcadia	1.5526	1.5526	1.6000	1.5812	1.5468	1.5140	1.5085	1.4757	1.4509	1.4305
Attica	2.6087	2.6023	2.5837	2.5472	2.6205	4.2470	4.1806	4.0997	4.0413	3.9624
Burlington	1.7950	1.7884	1.7637	1.7541	1.7428	1.7063	1.6769	1.6626	1.6463	1.6188
Burnside	1.5077	1.5077	1.5077	1.6937	1.6772	1.6585	1.6462	1.6172	1.5966	1.5966
Deerfield	1.5650	1.5168	1.4417	1.5356	1.4755	1.4744	1.4107	1.3586	1.3185	1.4012
Dryden	5.1213	5.1716	5.1514	5.6356	4.8820	4.7392	4.6911	4.6537	4.5652	4.6975
Elba	2.9565	3.0798	3.0592	3.0274	3.0329	2.9752	2.9212	2.8717	2.9389	2.9006
Goodland	2.4978	2.4978	2.4773	2.4254	1.5625	1.5215	1.5209	1.5012	1.4915	1.4625
Hadley	2.1741	2.1241	2.0521	2.4285	2.4416	2.3431	2.2440	2.1803	2.1003	2.0237
Imlay	1.6981	1.6901	1.6830	1.6547	1.6401	2.6501	2.5634	2.5017	2.4629	2.4535
Lapeer	1.7053	1.7004	1.6924	1.6811	1.6743	1.6510	1.6570	1.6402	1.6287	1.6148
Marathon	1.6519	1.6412	1.6230	1.5530	1.5408	1.5221	1.7461	1.4424	1.4206	1.4071
Mayfield	1.6955	1.7261	1.7130	1.6703	1.6452	1.6216	1.6066	1.5948	1.5823	1.5720
Metamora	4.7923	4.7329	4.6534	4.6253	5.3822	4.6892	4.5718	4.5667	4.6333	4.5845
North Branch	3.2050	3.2042	3.1719	3.1095	3.1151	3.0854	3.0480	3.0144	2.9595	2.9458
Oregon	1.6757	1.6749	1.6568	1.6140	1.6074	1.5786	1.5554	1.5298	1.5030	1.4807
Rich	1.7942	1.7843	1.7856	1.7491	1.7164	1.6904	4.5568	4.5128	4.4256	4.5856
Cities-										
Imlay City	17.7500	17.7500	17.7500	17.7500	17.7500	16.7500	17.7500	17.7500	17.7500	19.7627
City of Lapeer	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	9.8000
Brown City	17.0000	17.0000	17.0000	17.0000	18.0289	18.0206	18.0094	17.9962	17.9633	17.9716

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Villages-										
Almont	18.7282	18.0731	17.2511	16.6526	15.9486	15.4714	14.9314	14.6769	14.5044	14.6711
Clifford	21.6148	21.9418	21.7843	21.7608	21.7608	21.6534	21.3587	21.1034	21.1034	16.1034
Columbiaville	15.1300	15.3640	15.0014	14.7463	14.6607	14.5404	14.3150	14.0616	13.7480	13.5184
Dryden	10.9938	10.7750	10.7750	10.7750	10.5765	10.3734	10.1182	10.0433	10.0021	9.8110
Metamora	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711
North Branch	15.6923	15.6499	15.6280	15.5358	15.2902	15.2871	15.2703	14.9831	14.8991	14.8215
Otter Lake	12.0000	12.0000	12.0000	12.0000	12.0000	14.0000	14.3672	13.8586	13.3638	12.6688
Local School Districts-										
Almont	14.4500	14.4500	14.4500	14.4500	14.4500	14.4500	17.8613	13.4500	14.4500	14.4500
Brandon	14.2400	14.2400	14.2400	14.2400	14.2400	14.2400	15.9718	13.2400	14.2400	14.2400
Brown City	7.5000	6.7800	7.1800	6.0000	6.0000	11.9980	17.7948	10.9980	11.9980	11.9980
Capac	7.5000	10.4000	9.9000	9.9000	9.9000	9.9000	17.9748	8.9000	9.9000	9.9000
Davison	9.9500	9.6989	9.5473	9.5394	9.3774	9.2390	17.8525	8.4428	9.4191	9.4016
Dryden	8.0000	8.0000	6.8500	7.5000	7.7000	7.7000	18.0000	7.2400	8.2400	8.2400
Goodrich	13.0000	13.0000	13.0000	13.0000	13.7500	13.7500	17.9973	12.7500	13.7500	13.7498
Imlay	12.7000	12.7000	12.7000	12.7000	14.4500	12.2000	18.0000	11.0635	11.0000	11.7500
Kingston	10.9900	11.0200	11.0200	11.0200	12.3000	12.3000	0.0000	11.6400	12.6400	12.5000
Lakeville	6.0000	6.0000	6.0000	6.0000	11.9500	11.9500	18.0000	10.9500	10.7500	10.7000
Lapeer	6.7000	6.7500	6.6500	6.6000	6.6000	6.3750	18.0000	7.2500	8.2320	8.2194
Marlette	7.1450	7.0000	6.4700	6.0000	6.6000	6.0000	17.8293	5.0000	6.0000	6.0000
Mayville	6.4000	6.4000	6.3000	6.1200	6.6000	6.0000	17.8578	5.0000	12.0000	12.0000
North Branch	13.3000	13.3000	13.3000	13.3000	13.3000	13.3000	17.7750	12.3000	13.3000	13.0000
Oxford	13.0000	13.0000	13.0000	13.0000	13.3000	13.0000	16.3326	12.0000	13.0000	13.0000
Intermediate School Districts-										
Genesee	3.6032	3.6032	3.6032	3.5894	3.5894	3.5835	3.5673	3.5469	3.5361	3.5361
Lapeer	3.2268	3.2223	3.1978	3.1605	3.1189	3.0773	3.0467	3.0084	2.9794	2.9509
Oakland	2.1294	2.1294	2.1208	2.0998	2.0752	3.4526	3.4224	3.3991	3.3789	3.3690
Sanilac	2.7521	2.7516	2.7359	2.7059	2.7059	2.8724	2.8560	2.8227	2.7419	2.7118
St. Clair	3.4807	3.4807	3.4807	3.4747	3.4747	3.4561	3.4468	3.4468	3.4468	3.4463
Tuscola	4.3394	4.3351	4.3095	4.2826	4.2776	4.2739	4.2727	4.2618	4.2568	4.2506

Notes:

1. Rates are stated in dollars per one thousand of state-equalized valuation.
2. Rates are levied in December of the year preceding the County's fiscal year end.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS ALL TAXING UNITS WITHIN THE COUNTY LAST TEN YEARS (UNAUDITED)

Year Ended	Levy Year	Total Tax Levy	Current Collections To	Amount	Percentage Collected
1997	1996	\$ 41,111,294	03/01/97	\$ 36,859,437	89.66
1998	1997	\$ 44,443,273	03/01/98	\$ 38,356,640	86.30
1999	1998	\$ 49,642,291	03/01/99	\$ 44,206,957	89.05
2000	1999	\$ 53,405,052	03/01/00	\$ 47,304,472	88.58
2001	2000	\$ 57,192,846	03/01/01	\$ 50,967,164	89.11
2002	2001	\$ 60,054,672	03/01/02	\$ 54,165,151	90.19
2003	2002	\$ 62,484,455	03/01/03	\$ 56,708,306	90.76
2004	2003	\$ 66,920,480	03/01/04	\$ 61,037,274	91.21
2005	2004	\$ 73,965,772	03/01/05	\$ 67,342,098	91.04
2006	2005	\$ 79,441,073	03/01/06	\$ 72,500,633	91.26%

Notes:

Current property tax collections are made by the individual taxing units of Lapeer County. On approximately March 1, of each year, the County Treasurer "settles" with the Treasurer of each taxing unit, accounting for all current property taxes collected, as well as purchasing (in the normal case) all delinquent real property taxes from the units via the County's Delinquent Tax Revolving Fund.

The levies and collections shown above represent all taxes levied and collected by the individual taxing units on a current basis.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS COUNTY OPERATING LEVY ONLY LAST TEN YEARS (UNAUDITED)

<u>Year Ended</u>	<u>Levy Year</u>	<u>Total Tax Levy</u>	<u>Current Collections To</u>	<u>Amount</u>	<u>Percentage Collected</u>
1997	1996	\$ 7,574,610	03/01/97	\$ 6,791,395	89.66
1998	1997	\$ 6,594,471	03/01/98	\$ 5,926,180	89.87
1999	1998	\$ 7,044,363	03/01/99	\$ 6,308,343	89.55
2000	1999	\$ 7,670,678	03/01/00	\$ 6,915,652	90.16
2001	2000	\$ 8,117,860	03/01/01	\$ 7,295,980	89.88
2002	2001	\$ 8,693,592	03/01/02	\$ 7,904,912	90.93
2003	2002	\$ 9,257,414	03/01/03	\$ 8,437,468	91.14
2004	2003	\$ 9,658,415	03/01/04	\$ 8,776,707	90.87
2005	2004	\$ 10,128,070	03/01/05	\$ 9,176,986	90.61
2006	2005	\$ 10,689,927	03/01/06	\$ 9,826,649	91.92

Notes:

1. Property taxes are levied each December 1; property taxes are budgeted and recognized as revenue in the year following levy year in the General Fund, County Library and Senior Millage (Special Revenue) Funds and the E-911 (Debt Service) Fund. Property taxes are recognized as revenue in the year of the levy in the Medical Care Facility Enterprise Fund because it operates on the accrual basis of accounting.
2. The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding delinquent real taxes receivable are purchased from the taxing units. All units, including the County General, Special Revenue, Debt Service and Enterprise Funds receive full payment for all real taxes levied under this arrangement.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

PRINCIPAL TAXPAYERS

DECEMBER 31, 2005

(UNAUDITED)

DECEMBER 1, 2004 TAX LEVY

Taxpayer	Product or Service	Taxable Valuation	Percent of Total Taxable Value
Detroit Edison	Utility	\$ 46,165,829	1.65 %
International Transmission Co.	Utility	15,362,250	0.55
Consumers Energy	Utility	12,539,368	0.45
Michigan DNR/DNR	Government	9,473,378	0.34
Pinnacle Foods	Food Processing	8,939,108	0.32
Great Lakes Gas Transmission	Gas Pipeline	7,065,453	0.25
Camtron Coatings/Lapeer Metal Products	Manufacturing	5,648,018	0.20
Toyo Seat USA Corp	Automotive Supplier	5,466,904	0.19
Durakon Industries, Inc.	Truck Bed Liners	5,301,047	0.19
Wal-Mat Stores, Inc.	Retail Sales	4,987,669	0.18
Total Principal Taxpayers		120,949,024	4.31
Other Taxpayers		2,684,216,196	0.96
Total Taxable Valuation		<u>\$ 2,805,165,220</u>	<u>100.00 %</u>

Notes:

The County recognizes property taxes as revenue in the year following the year of levy except for all funds but the Medical Care Facility which recognizes property taxes as revenue in the year of levy. The above data relates to the December 1, 2005 tax levy, recognized as revenue in 2005.

In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations -- State Equalized Value (SEV) and Taxable Value. Property taxes are levied on Taxable Value.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS LAST TEN YEARS (UNAUDITED)

<u>Year Ended</u>	<u>Levy Year</u>	<u>Current Assessments Levied</u>	<u>Current Assessments Collected</u>	<u>Total Collections Ratio</u>
Drain Special Assessments				
1996	1995	\$ 553,683	\$ 553,683	100
1997	1996	\$ 821,747	\$ 821,747	100
1998	1997	\$ 436,592	\$ 436,592	100
1999	1998	\$ 661,372	\$ 661,372	100
2000	1999	\$ 889,768	\$ 889,768	100
2001	2000	\$ 534,463	\$ 534,463	100
2002	2001	\$ 413,300	\$ 413,300	100
2003	2002	\$ 543,486	\$ 543,486	100
2004	2003	\$ 487,705	\$ 487,705	100
2005	2004	\$ 420,383	\$ 420,382	100

Notes:

1. Special Assessments are levied each December 1; assessments are recognized as revenue in the year following the levy year.
2. The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding assessments receivable are purchased from the taxing units. All units receive full payment for all assessments levied under this arrangement.
3. Drain special assessments are levied annually (with one year payback periods) against the benefited properties.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

COMPUTATION OF DIRECT, UNDERLYING, AND OVERLAPPING LONG-TERM BONDED DEBT DECEMBER 31, 2005 (UNAUDITED)

	Gross Direct Bonded Debt	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Direct Bonded Debt
Direct Debt:			
Building Authority	\$ 4,410,000	\$ -	\$ 4,410,000
Water	1,495,507	1,495,507	-
Drain	4,045,000	3,701,175	343,825
Wastewater	1,700,000	1,700,000	-
Sewer	2,025,000	2,025,000	-
MTF Notes	2,450,000	2,450,000	-
Special Assessment	435,000	-	435,000
	<u>\$ 16,560,507</u>	<u>\$ 11,371,682</u>	<u>\$ 5,188,825</u>
Total Direct Debt			
	<u>\$ 16,560,507</u>	<u>\$ 11,371,682</u>	<u>\$ 5,188,825</u>
Overlapping Debt of County:			
Villages			7,364,274
Cities			9,000,824
Townships			1,801,047
School Districts			148,663,866
Intermediate School Districts			1,171,243
Community College			1,526,157
			<u>169,527,411</u>
Total Overlapping Debt			
			<u>\$ 174,716,236</u>
Total County Net Direct and Overlapping Debt			
			<u>\$ 174,716,236</u>
Debt Ratios:			
Per Capita (2000 - 87,904)			
Net Direct Debt			\$ 59.03
Net Direct and Overlapping Debt			\$ 1,987.58
Ratio to 2004 Taxable Value (\$2,805,165,220)			
Net Direct Debt			0.18%
Net Direct and Overlapping Debt			6.23%
Ratio to 2004 State Equalized Valuation (\$4,004,172,237)			
Net Direct Debt			0.13%
Net Direct and Overlapping Debt			4.36%
Ratio to 2004 Estimated True Cash Value (\$8,008,344,474)			
Net Direct Debt			0.06%
Net Direct and Overlapping Debt			2.18%

Source: Municipal Advisory Counsel of Michigan and Oppenheimer & Co Inc.

LAPEER COUNTY, MICHIGAN
COMPUTATIONS OF LEGAL DEBT MARGIN
DECEMBER 31, 2005
(UNAUDITED)

Total State Equalized Valuation (December 1, 2004)	<u>\$ 4,004,172,237</u>
Debt Limit - Ten Percent of State Equalized Valuation	<u>\$ 400,417,224</u>
Amount of Debt Applicable to Debt Limit - Direct Bonded Debt (County Credit Pledged)	14,110,507
Amount available in Debt Service Funds	<u>(2,137,602)</u>
Net Direct Bonded Debt	<u>11,972,905</u>
Margin for Additional Debt	<u>\$ 388,444,319</u>

Notes:

Michigan Counties are subject to a Constitutional debt limitation of 10% of State Equalized Valuation. No exclusions of certain categories of debt are made for Michigan Counties.

Source: Municipal Advisory Counsel of Michigan and Oppenheimer & Co Inc.

LAPEER COUNTY, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES LAST TEN YEARS (UNAUDITED)

Year Ended	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To Total General Expenditures
1996	\$ 359,225	\$ 525,432	\$ 884,657	\$ 8,900,166	9.9
1997	\$ 440,000	\$ 476,394	\$ 916,394	\$ 8,889,300	10.3
1998	\$ 540,000	\$ 517,284	\$ 1,057,284	\$ 9,551,405	11.1
1999	\$ 395,000	\$ 339,766	\$ 734,766	\$ 10,494,114	7.0
2000	\$ 1,088,350	\$ 646,805	\$ 1,735,155	\$ 10,802,799	16.1
2001	\$ 1,183,000	\$ 725,691	\$ 1,908,691	\$ 11,695,782	16.3
2002	\$ 1,213,000	\$ 785,520	\$ 1,998,520	\$ 13,072,182	15.3
2003	\$ 1,413,000	\$ 729,134	\$ 2,142,134	\$ 13,748,595	15.6
2004	\$ 1,404,000	\$ 578,180	\$ 1,982,180	\$ 15,107,890	13.1
2005	\$ 1,733,000	\$ 584,617	\$ 2,317,617	\$ 15,934,842	14.5

Notes:

1. General Expenditures reflected above include expenditures for the General Fund only.
2. The bonded debt expenditures reported above include revenue bonds which do not constitute general obligations of Lapeer County.
 - A. Water Supply System and Wastewater Treatment System Bond debt service expenditures are reported in debt service funds of the Board of Public Works. The following bond issues are secured by the full faith and credit of the identified municipality and are supported by user charges assessed by the municipality to finance the operations of the utility, including retirement of debt.

Village of Dryden	\$ 990,000	WWTS Refunding Bonds dated March 1, 1996
Township of Elba	\$ 380,000	WWTS Refunding Bonds dated March 1, 1996
Village of North Branch	\$ 500,000	WWTS Bonds dated May 4, 1995
Village of Almont	\$ 330,000	WWTS Bonds dated February 1, 1994
Village of Almont	\$ 42,000	WWTS Bonds dated August 1, 1999
Village of Dryden	\$ 791,507	WSS Michigan Loan Fund date September 29, 1998
Village of Almont	\$ 2,105,000	WWTS Bonds dated February 1, 2002
 - B. Drain Bond debt service expenditures are reported in the debt service funds of the Drainage Districts. The following bond issue is secured and supported by special assessments levied against benefited property in the Drainage Districts.

Potters Lake/Elba Drain Bonds	\$ 1,215,000	dated October 8, 1997
Winn Lake Drain Bonds	\$ 435,000	dated July 1, 2001
Imlay - Bigelow Drainage Bonds	\$ 2,830,000	dated April 12, 2005
3. The bonded debt expenditures reported above include Motor Vehicle Highway Fund Bonds that are backed by the full faith and credit of the County.
4. On September 6, 1990, the County defeased the General Obligation Hospital Bonds dated December 1, 1996.
5. On April 11, 1996, the County, through its Board of Public Works, defeased a portion of the Village of Dryden Wastewater Treatment System Bonds dated March 1, 1990 and the Township of Elba Wastewater Treatment System Bonds dated August 1, 1990.
6. On February 25, 1994, the County, through its Board of Public Works defeased the Wastewater Treatment System (Village of Almont) Bonds, dated March 1, 1987.

LAPEER COUNTY, MICHIGAN

RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS (UNAUDITED)

Year Ended	Population	Assessed Valuation	Gross Bonded Debt	Debt Service Monies Available	Net Direct Bonded Debt	Ratio of Net Bonded Debt To Assessed Valuation	Net Direct Bonded Debt Per Capita
1996	83,800	\$ 1,594,921,302	\$ 8,668,215	\$ 188,429	\$ 2,050,000	0.13	24.46
1997	86,893	\$ 1,771,674,245	\$ 10,702,261	\$ 197,558	\$ 2,000,000	0.11	23.02
1998	88,270	\$ 2,026,584,049	\$ 9,885,006	\$ 110,282	\$ 1,900,000	0.09	21.52
1999	89,359	\$ 2,307,495,097	\$ 16,405,000	\$ 230,082	\$ 9,150,000	0.40	102.40
2000	87,904	\$ 2,596,452,794	\$ 19,435,879	\$ 209,751	\$ 8,495,000	0.33	96.64
2001	87,904	\$ 2,945,993,749	\$ 19,322,000	\$ 271,042	\$ 10,201,000	0.35	116.05
2002	87,904	\$ 3,244,559,723	\$ 25,553,000	\$ 211,172	\$ 9,065,000	0.28	103.12
2003	87,904	\$ 3,510,193,880	\$ 22,320,000	\$ 1,162,077	\$ 8,105,000	0.23	92.20
2004	87,904	\$ 3,701,389,668	\$ 19,131,000	\$ 713,638	\$ 6,013,673	0.16	68.41
2005	87,904	\$ 4,004,172,237	\$ 16,560,507	\$ 2,137,602	\$ 5,188,825	0.13	59.03

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

DEMOGRAPHIC STATISTICS

PROPERTY VALUES AND BANK DEPOSITS

LAST TEN YEARS

(UNAUDITED)

<u>Year</u>	<u>State Equalized Value (S.E.V.)</u>	<u>Taxable Value</u>	<u>Estimated Property Value (S.E.V. x 2)</u>
1996	\$ 1,594,921,302	\$ 1,503,850,702	\$ 3,189,842,604
1997	\$ 1,771,674,245	\$ 1,619,066,518	\$ 3,543,348,490
1998	\$ 2,026,584,049	\$ 1,744,859,206	\$ 4,053,168,098
1999	\$ 2,307,495,097	\$ 1,874,360,817	\$ 4,614,990,194
2000	\$ 2,596,452,794	\$ 2,009,003,207	\$ 5,192,905,588
2001	\$ 2,945,993,749	\$ 2,179,025,395	\$ 5,891,987,498
2002	\$ 3,244,559,723	\$ 2,348,559,163	\$ 6,489,119,446
2003	\$ 3,510,193,880	\$ 2,483,938,539	\$ 7,020,387,760
2004	\$ 3,701,389,668	\$ 2,632,809,751	\$ 7,402,779,336
2005	\$ 4,004,172,237	\$ 2,805,165,220	\$ 8,008,344,474

Notes:

1. In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a nonuniform basis. The legislation implementing this constitutional amendment, added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State Equalized Value ("SEV") and Taxable Value. Property taxes are levied on Taxable Value.
2. Information available as of 6/30/00 from the FDIC and excludes credit unions and savings and loan associations.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS EMPLOYMENT BY INDUSTRY 2000 U.S. CENSUS (UNAUDITED)

The following table reflects the breakdown of employment by category and industry for the County of Lapeer residents and the State of Michigan as of the 2000 U.S. Census:

Category	County of Lapeer			State of Michigan		
	Number	% of		Number	% of	
	of Workers	Total Workers		of Workers	Total Workers	
Management, Professional & Related	11,043	26.93	%	1,459,767	31.48	%
Service Occupations	5,608	13.67		687,336	14.82	
Sales and Office Occupations	8,581	20.92		1,187,015	25.60	
Farming, Fishing and Forestry	165	0.40		21,120	0.46	
Construction, Extraction & Maintenance	5,687	13.87		425,291	9.17	
Production, Transp. & Mat. Moving	9,928	24.21		856,932	18.48	
Total	41,012	100.00	%	4,637,461	100.00	%

The following table reflects the breakdown of employment by major industry groups for the County of Lapeer residents and the State of Michigan as of the 2000 U.S. Census:

Category	County of Lapeer			State of Michigan		
	Number	% of		Number	% of	
	of Workers	Total Workers		of Workers	Total Workers	
Agriculture, Forestry, Mining & Fishing	610	1.49	%	49,496	1.07	%
Construction	3,767	9.19		278,079	6.00	
Manufacturing	12,237	29.84		1,045,651	22.55	
Wholesale Trade	767	1.87		151,656	3.27	
Retail Trade	4,486	10.94		550,918	11.88	
Transportation, Warehousing & Utilities	1,433	3.49		191,799	4.14	
Information	655	1.60		98,887	2.13	
Finance, Insurance, Real Estate & Rental	1,499	3.66		246,633	5.32	
Professional, Scientific, Management, Administrative & Waste Services	2,537	6.19		371,119	8.00	
Educational, Health & Social Services	7,209	17.58		921,395	19.87	
Arts, Entertainment, Recreation, Accommodation & Food Services	2,298	5.60		351,229	7.57	
Public Administration	1,255	3.06		167,731	3.62	
Other Categories of Employment	2,259	5.51		212,868	4.59	
Total	41,012	100.00	%	4,637,461	100.00	%

Source: U. S. Department of Commerce - Bureau of Census - 2000

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS DESCRIPTION OF INSURANCE COVERAGE IN FORCE DECEMBER 31, 2005 (UNAUDITED)

Lapeer County became a member of the Michigan Municipal Risk Management Authority in 1985. The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations. This program covers the Public Officials Surety Bond and Faithful Performance as well as General Liability, Law Enforcement Officers, Business Auto, Building and Contents, Boiler and Machinery, Errors and Omissions, and Umbrella Coverage. The total amount of liability coverage for the County amounts to \$10,000,000. The County's total contribution for 2005 is approximately \$ 316,027 reported in the General Fund.

Lapeer County is self-insured for Workers' Compensation for claims up to an annual aggregate amount of \$300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of \$3,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage. The County's total expenditures for claims and insurance costs reported in the Workers' Compensation Fund for 2005 is \$20,807. The County's ending retained earnings for the Workers' 2 Compensation Fund at December 31, 2005 is \$1,037,439.

Lapeer is self insured for Unemployment Insurance. The County's total expenditures for claims reported in the Unemployment Insurance Fund for 2005 is \$23,223. The County's ending retained earnings for the the Unemployment Insurance Fund at December 31, 2005 is \$180,430.

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS OTHER STATISTICS DECEMBER 31, 2005 (UNAUDITED)

Form of Government

The County's legislative body is a seven-member Board of Commissioners elected by districts to two-year terms. The Board annually elects from within its ranks a Chairperson and Vice-Chairperson by majority vote.

The County operates under the Controller/Administrator form of government.

Location

Lapeer County covers an area of approximately 666 square miles in the thumb area of Michigan's lower peninsula and is located 56 miles north of Detroit and 48 miles west of the Canadian border on I-69, between Port Huron and Flint. The County is accessible by four major highways, M-21, M-24, M-90, M-53 and the Interstate.